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- TRUMP, TARIFFS AND TRADE
- WAGE DECOUPLING
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TRUMP'S TRADE POLICIES: BRUTAL COHERENCE BEHIND THE CHAOS

Patricia Ranald

The US, as the world's largest economy and with its history of exceptionalism, has always been able to bend or ignore both global trade and human rights rules to suit the interests of its corporations and its state geo-political interests, while claiming to support global rules-based systems (Ruggie 2003:1-3). But President Donald Trump is now going further by openly rejecting multilateral trade rules, UN human rights and other agreements of which the US was itself a major architect. The implementation of these policy shifts during 2025 has given an impression of chaos, compounded by Trump's combative and contradictory personal style, designed to throw others off balance and maximise his bargaining position.

Three themes recur in the critical responses. First, orthodox economists have criticised the impacts of tariffs on markets and responded by defending the existing trade system. Second, critical commentary has been levelled at the US's withdrawal from United Nations (UN) agreements and structures, including the *Paris Climate Agreement*, cancellation of aid and development programs and threatened annexation of traditional allies like Canada, Greenland and Panama. Third, criticisms have been levelled at Trump's domestic authoritarianism, his expansion of Presidential powers and the appointment of unusually large numbers of industry executives to key government posts. None of these criticisms has severely impacted his political 'base', however, partly because the impacts of the global trade system seen in US rust-belt communities have enabled Trump to maintain domestic political support for policies based on an extreme right

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nationalist departure from economic orthodoxy and respect for human rights.

Despite its apparently chaotic implementation, however, there is a coherent set of assumptions and practices underpinning Trump's policies. These are based in mercantilist trade theory and practice, the repudiation of international institutions for human rights and climate change mitigation, and domestic authoritarianism. These three elements are mutually reinforcing, aimed at strengthening US dominance in global trade in the face of rising economic and geopolitical competition with China. The result is a more brutal form of capitalism that is likely to further increase global economic inequality and undermine global efforts to redress the climate crisis.

In developing this argument, the article proceeds in three stages. The first section analyses orthodox trade policies and their flaws, already challenged by North-South conflicts and by the COVID pandemic, the climate crisis and geopolitical tensions. The second section examines the economic and political frameworks that underpin the America First policies and how they are being implemented. The third section examines the policies' initial impacts, considers whether they are likely to achieve their objectives, and discusses potential types of resistance to them. A concluding section reflects on how the principal policy elements can combine to strengthen US corporate dominance.

Orthodox trade policy: The WTO, regional and bilateral agreements

Trade theory and practice: North-South conflicts and stalemate

The orthodox trade theory that has dominated trade institutions for three decades has been part of the more general reassertion of neoclassical economic theory that followed the critique of Keynesian policies after the 'stagflation' of the 1970s. This shift influenced governments of both the left and the right; and was strongly supported by business because it restored the profitability and capital accumulation in Western economies that had been disrupted by the workforce militancy and oil shocks of the 1970s (Anderson 2025) and the competition from East Asian 'Tiger' economies (Nayar 2017). While deregulation of labour markets reduced

workers' bargaining power, new forms of regulation favoured capital interests. Fiscal policy was restructured to reduce taxes on business and wealthy individuals. Government expenditure on health, education and social welfare was cut, often linked with moves to privatise and contract out government services. Although these policies did not always result in reduced government expenditure or reduced regulation overall (Ranald, 1995; Anderson 1999), they redesigned regulation in favour of capital, resulting in a redistribution of income and wealth to capital (Piketty 2014: 15-6).

Orthodox trade theory, based on Ricardian 'comparative advantage' concepts, argued that economic welfare is maximised through each country specialising in its most competitive products for export, importing everything else at the lowest globally competitive prices through globalised supply chains, with zero tariffs, prohibition of barriers to trade and investment, and no local industry development policies. Increased trade and economic growth would then eventually raise living standards for all. Implementing this 'one size fits all' approach expanded trade and investment for global corporations but ignored the history of inequalities arising from colonialism and unequal impacts on communities in both Global North and Global South countries. Critics argued that industrialised countries had achieved their own industrial development through selective tariffs and interventionist industry policies, before agreeing to negotiate lower tariffs and other trade barriers. The imposition of strict orthodox policies on Global South countries amounted to 'kicking away the ladder' to economic development (Chang 2002) and has been described as a form of recolonisation (Raghaven 1990; Hardt and Negri 2000; Go 2024).

The proposal for inclusion of commitments to labour rights in the original post-World War Two International Trade Organisation (United Nations 1948:article 17.7) was never adopted in the *General Agreement on Tariffs and Trade (GATT)*, the predecessor to the World Trade Organisation (WTO). Orthodox trade structures ignored their impacts on human rights, labour rights and the environment, maintaining a strict separation between trade rules and UN and International Labour Organisation (ILO) human rights, labour rights and later environmental agreements. The increased investment in Global South countries was often in export processing zones with minimal labour rights and environmental regulation. Competition to attract that investment put further downward pressure on these rights and standards (Reinecke 2019; Baine and Arvins 2015). Thus, while expanded trade contributed to increased growth and incomes in the Global North and

in some Global South countries, global inequalities widened between and within countries (Chancel *et al.* 2024).

Following the Uruguay Round of trade negotiations and the formation of the WTO in 1995, multilateral trade agreements became the key means of embedding the orthodox trade theory in policy practice. After the collapse of the Soviet economic block, Russia, China and more post-Soviet and Global South countries joined the WTO. The trade agreements are negotiated (through consensus behind closed doors) to freeze tariffs and other practices defined as trade barriers; and then tariffs are lowered through successive negotiating rounds, outlawing unilateral tariff increases. Backed by the threat of trade sanctions, WTO agreements have been enforced through state-to-state dispute processes – a two-tier system in which decisions made by the first dispute panel can be taken to an appeals panel (WTO 2018).

The WTO multilateral structure, consensus decision-making and disputes process were seen by Global South countries as preferable to the alternative of a free-for-all openly dominated by the most powerful economies. There were some provisions for special and differential treatment for developing countries intended to provide some space for industry development, but these were often contested by Global North countries (Tania *et al.* 2023).

However, structural inequality persisted. Interviews with WTO negotiators revealed that the most powerful Global North economies, the US, the EU and Japan, caucused with about 30 industrialised countries in negotiations, exercising their considerable market power through various forms of pressure to achieve consensus for outcomes that met the interests of their global corporations. The pressures included control of aid funding and influence on conditions for loans through the International Monetary Fund (IMF) (Jawara and Kwa 2004).

WTO agreements reflected these inequalities. For example, the WTO *Agreement on Agriculture* reduced tariffs but preserved US and EU subsidies to individual farmers. The US preserved protections in its sensitive industrial sectors like textiles, steel and government procurement (Raghaven 1990; Stiglitz and Charlton 2005:v-vi).

As services industries and intellectual property revenues grew as a share of national economic output, especially in industrialised economies (WTO 2022), the US led the push from the Global North for new WTO agreements. The *General Agreement on Trade in Services* (GATS) opened

services to international investment and marketisation. This did not cause but facilitated privatisation of government services by mostly Global North corporations under national orthodox economic policies (Ranald 1995; Kelsey 2008). The *Trade-Related Investment Measures (TRIMS)* agreement prohibited preference to local investment and restricted national governments from requiring international investors to use local products or to transfer technology. The *Trade-Related Intellectual Property Rights (TRIPs)* agreement enshrined stronger US regulatory standards of twenty-year monopolies for patents on new products including medicine patents for pharmaceutical companies (Braithwaite and Drahos 2000:203-4).

Global South countries refused a more extensive investment agreement that would have included additional legal rights for foreign investors to sue governments over changes in law or policy, known as Investor-State Dispute Settlement (ISDS) and agreements on competition policy and government procurement (Ranald 2014). They also achieved some special and differential measures in the *TRIPs* agreement for waiving monopolies on medicines in health emergencies. But these were hard-fought and difficult to access in practice, as Global South countries found to their cost during the AIDS epidemic of the 1990s and the later COVID-19 pandemic (Gleeson *et al.* 2022). These conflicts were not resolved by the launch of the Doha 'development' round of negotiations which stalled in 2003 (Stiglitz and Charlton 2005:141-52); and new multilateral WTO consensus agreements have faced long delays.

As Global North countries led by the US perceived that the WTO was not meeting their demands for new agreements, they supported two developments which began to depart from the consensus multilateral WTO model. Firstly, they initiated bilateral and regional trade agreements under WTO rules which allow for such agreements provided they increase, not decrease, the level of liberalisation. The US led the way by using bilateral and regional agreements from the 1990s to pursue agendas blocked in the WTO, starting with the *North American Free Trade Agreement* and followed by the *Trans-Pacific Partnership* (from which the first Trump administration later withdrew). These agreements included the additional corporate legal rights that had been rejected by the majority in the WTO, like Investor-State Dispute Settlement (ISDS) (Ranald 2014) and even stronger rules for monopolies on medicines (Tenni *et al.* 2022).

Secondly, Global North countries have pursued plurilateral agreements between minorities of WTO members, called Joint Statement Initiatives (JSIs) (World Trade Organisation 2017). JSIs have been initiated without WTO consensus on domestic regulation of services, electronic commerce and investment facilitation. The aim is to get support from a significant proportion of WTO member countries, then pressure others to adopt it as an official WTO agreement. Both Global South countries and scholars have argued that this contradicts the basic aim of multilateral negotiations by consensus involving all WTO members and have resisted them (Kelsey 2022).

The Obama administration also began blocking consensus on appointments to the WTO appellate body, a policy consolidated by the first Trump administration in 2017. The 2021 Biden administration continued this blocking process, a bipartisan approach which has been resumed by the second Trump administration. Although disputes can still be lodged, the losing party can appeal knowing that the appeal will never be heard, effectively disabling the system. This means that the US can impose unilateral tariffs with impunity from the WTO disputes system (Hopewell 2025).

US rejection of the appeal system has not been shared by other Global North and some Global South countries. From 2020, 47 WTO states formed an alternative interim appeals system, allowable under WTO rules. This has grown to 57 countries covering 57.6% of the world's trade, including the 27 member countries of the EU, the UK, China, Japan, Canada, Australia, New Zealand, Brazil, and a range of Global South countries. Member states continue to lodge government-to-government disputes and to have access to an appeals body (WTO 2018). But this does not apply to the US and is a temporary fix that does not address the North-South conflicts in the WTO and the broader undermining of its rules by America First policies. Simple defence of the WTO will not address these issues.

As of September 2025, the US remained a WTO member, despite its flouting of basic WTO rules. The nominated US Ambassador to the WTO testified before a Congressional hearing that the US still wants changes to the WTO disputes process and would represent US technology company interests in JSI negotiations on electronic commerce, to discourage national regulation (Barloon 2025). Clearly, the US is prepared to remain

a WTO member for as long as it perceives that it can influence its processes in the interests of its corporations.

Two related points emerge from this quick survey of some of the many twists and turns in world trade policies. One is that the three decades prior to Trump 2.0 were by no means harmonious. The other is that, while orthodox economic trade theory has been an ongoing influence throughout, the key economic interests were never conducive to creating a 'level playing field'. The dominance of US and other Global North countries in the WTO contributed to trade agreements favouring the interests of corporations mostly based in Northern countries with ongoing unequal outcomes for Global South countries. Concurrently, deindustrialisation continued apace in some regionals and sectors of Northern countries. The ongoing conflicts eventually created stalemate in the WTO, leading Global North countries to initiate trade arrangements outside the consensus framework.

The pandemic, environmental crises and geopolitical rivalry

Three global economic and environmental developments, all originating before Trump's current term of Presidential office, have added further challenges for orthodox trade policy.

Firstly, awareness of the growing climate crisis has required both global cooperation and national government regulation to reduce carbon emissions and develop low carbon industries. Scientific evidence, public pressure, and support from those sections of capital that perceive global warming as a threat to their interests have pressured governments to recognise global warming and that government intervention is required to address it, expressed through the 2015 *Paris Agreement* (United Nations 2016). Some supporters of current trade rules concede that interventionist industry policies like the US *Inflation Reduction Act*, the European Green Deal Industrial Plan, and the European Carbon Border Adjustment Mechanism are needed to retain domestic political support for achieving ambitious carbon reduction goals, although they require a mix of subsidies, tariffs, and regulations that WTO rules 'would heavily discourage if not outright disallow' (Kaufman *et al.* 2023:25). Left and environmentalist critics writing in this journal have urged yet more radical intervention as part of a broader program for more equitable and environmentally sustainable national economies (Stilwell 2020; Dean and Rainnie 2021).

Secondly, the COVID-19 pandemic exposed the over-dependence of national economies on global supply chains. Governments had to ensure local production of essential health and other products (Australian Broadcasting Commission 2020). Although the pandemic has abated, the lessons about over-reliance on international trade for essential goods and services are ongoing.

Thirdly, growing economic and geopolitical strategic rivalry between the US and China, and Russia's invasion of Ukraine, have further fractured global production chains and prompted governments to depart even more in practice from the orthodox model. The concept of 'off-shoring' production to the lowest cost locations has been challenged by local subsidies for 'on-shoring' of strategic industries, and 'friend-shoring', *i.e.*, establishing supply chains with defence allies through arrangements like the US Biden administration's Indo-Pacific Economic Framework (Ranald 2022).

These developments have resulted in governments, both left and right leaning, implementing more interventionist national industry policies which further challenge the orthodox trade framework. Concurrently though, the flaws in the current trade system have enabled Trump to use right-wing nationalism to mobilise electoral support in US rust-belt communities by promising that tariffs will bring back investment and jobs, without evidence that this will occur (Gumbel 2025). Trump's advisors have justified America First policies with conservative alternatives to economic orthodoxy, which draw on mercantilist economics and are supported by anti-democratic conservative political theory justifying more direct forms of corporate participation in government.

America First trade policies: Theory and implementation

Economic theory

Trump has stated that his America First trade policies look back to what has been called the Gilded Age for the US economy, when the country's rapid industrial development was protected by high tariffs which were the major source of government revenue: 'We were at our richest between 1870 and 1913' (Trump quoted in Weissert 2025:1). This was the era of US 'Robber Baron' corporations where wealth was built on minimal

government regulation, no corporate taxes, high profitability and rapid corporate growth, but with very high inequality in income and wealth (White 2017). Consistent with this stated aim, America First policies seek to collect more government revenue through tariffs (York and Durante 2025) to fund corporate tax cuts, further increasing corporate profitability.

A more comprehensive intellectual narrative for Trump's policies is provided by advisers like Robert Lighthizer, US Trade Representative in the first Trump administration, Peter Navarro, now Senior Counsellor for trade and manufacturing, and Steve Miran, now Chair of the Council of Economic Advisers to the US President. This narrative references a pre-Ricardian mercantilist approach which sees trade as a zero-sum transaction and trade deficits as a sign of economic weakness.

Ahmed and Bick describe mercantilism as

a common set of practices and policies that evolved in Europe between the fifteenth and eighteenth century, involving explicit political and economic nationalism; a zero-sum conception of the benefits to individual states from international trade [...] in general, it manifested in a fixation with maintaining a favourable balance of trade. By ensuring that exports exceeded imports, the reasoning went, the state was guaranteed a steady income in precious metals, a critical resource for outfitting armies and navies (Ahmed and Bick 2017:6-8).

While the first Trump administration's selective tariffs on China were also consistent with nationalist mercantilism (Helleiner 2020), America First policies have been more explicit about the theory and applied it globally.

Explicit references to mercantilism are found in Lighthizer's 2023 testimony to a US Senate Committee that the orthodox trade regime no longer supports US-based corporations. Instead, he argues, it has enabled China to practice what he claims are mercantilist policies through the offshoring of US manufacturing production to China and the growth of US imports from China. This has resulted in China's trade surplus with the US which 'serves to strengthen the Chinese military' (Lighthizer 2023:11). The US adoption of mercantilist measures like tariffs is required as a 'policy of reciprocity' to create US trade surpluses and economic prosperity (Lighthizer 2023:28).

Navarro argues that, although some US corporations have benefited from the current regime, offshoring has resulted in US job losses and destruction of communities (Navarro 2024:765-8). The US should unilaterally impose tariffs and require trading partners to import more US products to achieve

trade surpluses with most countries. Navarro also sees the post-Cold War integration of China into global markets as a strategic mistake. The US must decouple its economy from China and prepare for a possible war by increasing its manufacturing and military capacity (Navarro 2024:767).

Miran adds to this narrative by pointing to the role of the US dollar as the reserve currency and the provision of US Treasury Securities as reserve assets, which he labels global public goods. These, he argues, underpin the global trading and financial system but are also a cost to the US economy. While increasing global demand for dollars has kept US borrowing rates low, it has also contributed to an overvaluation of the US dollar, making US products uncompetitive and contributing to the reduction in the US share of global manufacturing. While the US should remain the reserve provider, it now should demand that other countries share the cost by agreeing to pay tariffs on US imports, buying more American exports, and investing in US-based manufacturing (Miran 2025).

Implementation of mercantilist tariff policy

The first Trump administration had implemented selective industry tariffs against China and some other countries, claiming exceptions in WTO rules for national security (WTO 2023). Some of the China tariffs were continued by the Biden administration (Brown 2025). Now, the second Trump administration has ignored WTO rules and implemented much higher tariffs on a global scale, beginning with country-specific tariffs on Canada, Mexico, the EU and China and specific industry tariffs on steel, aluminium and automobiles (Koziol 2025). The broader 'reciprocal' tariffs announced in April 2025 (Trump 2025a) of up to 50% were aimed at other countries with trade surpluses with the US and tariffs on US imports, with some of the highest tariffs threatened for low-income Global South Countries (Raihan and Sen 2025). However, the threatened tariffs themselves caused collapses in stock and bond markets (Liptak *et al.* 2025). This forced Trump to pause them until August 2, 2025, and implement what he called a 10% 'base rate' on all countries, with letters sent to over 60 governments demanding that they remove tariffs on US imports and make other concessions under threat of US higher tariffs for their exports.

This coercive strategy resulted in eight deals, with the UK, Vietnam, Japan, Indonesia, Philippines, Pakistan, the EU, and South Korea. Negotiations

are continuing with others, including China, which had the highest tariffs but, as the world's second largest economy, has more bargaining power than others. These 'framework agreements' have commitments for others to reduce tariffs on US imports and proposals for investments in US industry and purchases of US fossil fuels.

Trump's Executive Order of August 2, 2025 confirmed the imposition of a 10% baseline tariff for other countries, including Australia, where the US has a trade surplus. It confirms a 15% tariff for the European Union, Japan and South Korea, and 19-20% for the Philippines, Vietnam, Pakistan and Indonesia. There are higher rates of 30% for South Africa, 40% for Syria, Myanmar and Laos, and 50% for Brazil and India. The US reserves the right to impose further tariffs in future, retaining leverage for further concessions (Trump 2025b). These announcements again caused falls in stock and bond markets, although they were less severe than in April 2025 (Wall St Journal 2025).

The US is also targeting other governments' public interest regulation which it previously identified as barriers to US exports, threatening punitive tariffs if the regulation is not removed. This includes regulation of wholesale medicine prices though policies like Australia's Pharmaceutical Benefits Scheme, regulation of digital technology companies, biosecurity regulation and requirements for local content for audio-visual services (United States Trade Representative 2025).

Rejection of democracy and human rights principles

Alongside belief in a mercantilist approach to trade policies, anti-democratic and authoritarian ideas have influenced key members of the Trump administration. This influence is not publicly acknowledged in official speeches but is visible in less formal interviews and podcasts. Among the influencers is former academic philosopher Nick Land, who 'no longer believes that freedom and democracy are compatible' (Land 2012:1).

Land's political theory is known as neo-reaction (NrX) or the 'Dark Enlightenment'. Partly inspired by conservative thinkers like Thomas Carlyle, who rejected democracy as mob rule, Land blends eighteenth century conservative pre-democratic thought with twenty-first-century pro-capitalist technocratic elitism. For Land, elected governments have failed to deliver the full productive promise of capitalist development of

new technology and should be replaced by technological and business elites who can maximise productivity and profitability. Land quotes Hans-Hermann Hoppe, another modern anti-democratic philosopher:

Under democracy, exploitation does not disappear. Even though everyone is permitted to enter government, this does not eliminate the distinction between the rulers and the ruled [...] This does not eliminate exploitation. Rather, it makes exploitation less calculating and carried out with little or no regard to the capital stock. In other words, it is shortsighted (Hoppe 2001:83, quoted in Land 2012).

Land argues that contemporary democracy is inefficient in its use of capital and that elections are a sham. Real power is exercised through wasteful government bureaucracies and a network of universities, media institutions and civil society groups which are dominated by progressive 'woke' ideologies of equality. He rejects both democracy and human rights values, including racial and gender equality, and programs to promote them (Land 2012). Similar arguments against values and programs promoting equality have come from key Trump tech industry supporters like PayPal founder, Peter Theil (Thiel and Sachs 1996).

Land's ideas have been popularised online in hip language appealing to the techno-savvy by Curtis Yarvin, a computer engineer (Munn 2025; Wilson 2024; Smith and Burroughs 2021) through online blogs and videos under the name of Mencius Moldbug. He converts Land's dense and elliptical prose into slogans like 'Retire All Government Employees' (RAGE) in order to 'reboot' the economy (Yarvin 2012; Michael 2022).

The influence of these ideas is acknowledged by several of Trump's key advisors. Elon Musk has claimed that 'the government is simply the biggest corporation, with a monopoly on violence and where you have no recourse' (quoted in Wolfe 2021). His appointment to make deep cuts in the US federal public service through his Department of Government Efficiency (DOGE) implements Yarvin's prescriptions to cut government employment (Robins-Early and Leingang 2025). Trump's signature *One Big Beautiful Bill* extended corporate tax cuts and slashed health and social welfare expenditure for low-income people (Stein 2025). Vice President J.D. Vance acknowledged Yarvin's influence in a 2021 podcast interview with far-right influencer Jack Murphy: 'There's this guy Curtis Yarvin who's written about some of these things. One has to basically accept that the whole thing is going to fall in on itself' (Quoted in Wilson 2024).

Executive Orders and more direct involvement of corporate elites

Trump has implemented tariffs through presidential Executive Orders, referencing seldom-used national security and national emergency laws and bypassing the constitutional role of Congress in approving trade agreements (United States Congress 2024). Successful constitutional challenges to federal courts by state governments and some small businesses have been appealed to the Supreme Court which has been stacked with Trump appointees. This process will take months to resolve (Global Tax News 2025).

The influence of the theory of direct government by corporate elites is seen in the appointment to Cabinet and other government positions of Trump's corporate donors and supporters (Fung and de Long 2025; Open Secrets 2025; Massoglia 2025). They are now more strongly represented in government than in the Biden and the previous Trump administration (Charalambous *et al.* 2025).

The influence of the fossil fuel sector is seen in Trump's appointment of key industry figures to government positions, withdrawal from UN climate agreements and cancellation of national regulation to reduce carbon emissions (Noor 2025). The digital technology industry representation includes Elon Musk and other appointments (Gross 2024) who opposed the Biden administration's attempts at regulation to protect consumer rights (Stiglitz 2024) and support Trump's global threats against public interest regulation of privacy rights, Artificial Intelligence and the broader digital domain (Steakin 2025). Pharmaceutical companies have long advocated against other governments' regulation of the wholesale prices of medicines (Pharmaceutical Research and Manufacturers of America 2025). Trump is now using tariff threats to assist those companies to challenge other governments' national regulation in order to raise their prices abroad and has been urging them to use the revenue to offer lower prices to American consumers (White House 2025).

Trump's use of national emergency and national security Executive Orders to implement tariffs is consistent with their use against diversity, equity and inclusion policies and with deportations of undocumented immigrants (Amnesty International 2025). A yet broader repudiation of human rights principles has also been visible in Trump's foreign policy. He has ignored the principle of national sovereignty in the United Nations Charter (United Nations 1945), making threats to annex Greenland, Canada, Panama and

Gaza (Toft 2025). The US withdrawal from the United Nation Human Rights Council, the *Paris Climate Agreement* and the World Health Organisation – together with the cancellation of overseas aid programs – are seen by many commentators as attempts to destroy the postwar multilateral human rights consensus which the US helped to create (Patrick 2025).

This is not to suggest that America First trade policies are directly motivated by these political beliefs. They are clearly a response to the stresses arising from the orthodox trade system and the increased economic and geopolitical competition with China. However, there is coherence between the mercantilist justification of the weaponisation of tariffs to attempt to achieve trade dominance, the use of Executive Orders and more active involvement of corporate elites, and the rejection of human rights and environmental agreements. These are key elements in a more brutal form of capitalism

America First policies: Initial impacts and responses

Can Trump's policies deliver on the promises to the government's corporate supporters and its electoral base in the face of global market turmoil? While this remains to be seen, some indicators can usefully be considered.

Impacts on US inflation and economic growth

First, America First policies are not likely to deliver their domestic promises of economic growth and jobs growth as they do not benefit all sections of US capital. Share markets and bond markets reacted negatively to Trump's initial April tariff proposals, forcing him to delay and change them. These financial market responses are one of the strongest limitations on these policies. Smaller businesses affected by tariffs have also initiated constitutional challenges against them (Global Tax News 2025).

Second, how the tariffs impact on US consumers will be problematic. US Importers are likely to pass on the new tariffs as price rises to consumers, contributing to US and global inflation and further slowing both US and global economic growth. Average US tariffs after August 1, 2025 are 18.3%, the highest level since 1934, and are predicted to have inflationary

effects (The Budget Lab 2025; Draper and Gray 2025). The US Bureau of Labor Statistics July quarterly report showed zero jobs growth following the April tariffs (Bureau of Labor Statistics 2025; Sainato 2025). The US Federal Reserve has warned about the impacts of tariffs on both inflation and economic growth, and reduced interest rates in September 2025 in response to rising unemployment (Board of Governors of the Federal Reserve System 2025).

US political impacts and possible resistance

The promised large-scale return of manufacturing industry to rust-belt regions is unlikely (Stiglitz quoted in Stewart 2025). Trump has claimed that the EU, Japan and South Korea have agreed to raise investment in US industries by specific amounts. However, those governments have said that these goals are aspirational; and they cannot guarantee what private investors will do (Doherty 2025).

Some US States and small businesses have resisted in the form of constitutional legal challenges discussed above. Trump's legislation of cuts to health, welfare and other government services may also erode his electoral support amongst lower-income non-college-educated Americans who form a significant section of his supporters (Stein 2025; Hartig *et al.* 2025). Poll results for Trump's first 6 months show that most people in the US believed that Trump's policies had hurt rather than helped them: his overall popularity was then at 40%, which is 10% lower than previous Presidents, including himself (AP/NORC Center for Public Affairs Research 2025). This trend continued in the September 2025 polls (Lange 2025).

It is too early to assess how the short-term impacts will play out politically. The US mid-term Congressional elections in November 2026 will be the first electoral test of Trump's policies, but their integrity is under question. Trump has encouraged Republican state legislators to use their control of electoral boundaries to increase the numbers of Republican seats (Ewing 2025). He has also deployed the National Guard to Democrat-controlled cities like Los Angeles and Washington (Steedman 2025). It remains to be seen how these actions will influence the election process and outcomes.

Global impacts and possible resistance

Higher US tariffs will affect major US trading partners, including those who have reached the agreements described above, reducing exports to the US. Cascading changes in trading patterns will have global impacts. For example, the predicted domestic impacts of Australia's 10% tariffs on US exports are limited because US exports are only 5% of Australia's total exports. But much larger impacts are predicted if the Chinese economy slows in reaction to US tariffs, weakening China's demand for products from major trading partners like Australia (Australian Treasury 2025:38). The OECD June 2025 *Global Outlook* forecast lower economic growth, and possible higher inflation. The World Bank has also forecast lower global economic growth, with worst impacts in developing countries (World Bank 2025:xiii).

The US's coercive bilateral tactics have increased popular opposition in some countries to these policies and created pressure for governments to resist them. This was demonstrated by the surge in electoral support for governmental resistance to Trump policies in elections in Canada and Australia held in April and May 2025, after Trump's announcement of tariffs and attacks on national public interest policies. In Australia, a detailed Lowy Institute poll published on April 25, 2025 revealed majority public opposition to the US tariffs and attacks on the Pharmaceutical Benefits Scheme and other public policies (Albanese 2025; Neelam 2025). There has been similar popular support for the Brazilian government's refusal to make concessions (Phillips 2025).

These governments are cooperating with others to diversify their export markets (Albanese 2025). Trump's divide-and-rule tactics have had the opposite effect of consolidating previous links between some of the BRICS group of Brazil, Russia, India, China and South Africa and expanding the group to include Indonesia and Malaysia (Reuters 2025; Maini 2025). US allies in Europe are also threatening to cancel previous intentions to buy US defence equipment and purchasing elsewhere (Gould *et al.* 2025). It remains to be seen whether these efforts can mitigate the impacts of the Trump tariffs.

Another potentially damaging effect on both global trade and the environment is the US withdrawal from the *UN Paris Climate Agreement* and promotion of the fossil fuel industry. The impact of the first Trump administration's fossil fuel policies was masked by the subsequent COVID

pandemic-induced reduction in US and global economic growth and emissions. Now the possibility of increased emissions from the world's second-largest carbon emitter could accelerate the already-damaging economic and ecological impacts of global warming (Adil *et al.* 2025).

Conclusion

The orthodox trade system was already challenged before the America First policies were introduced. When North/South conflicts stalled multilateral consensus decision-making and did not deliver the regulatory changes sought by their major corporate sectors, the US and other Global North governments initiated regional, bilateral and plurilateral agreements which have eroded the orthodox trade framework. Now, they are also challenged by the climate crisis, the lessons learnt from the COVID pandemic and ongoing geopolitical tensions.

Trump has used the unequal economic and social impacts of orthodox trade policies to mobilise nationalist support from US rust-belt communities. He has tried to justify the tariffs with arguments that have their roots in mercantilist trade theories. While the Biden administration continued some of the first Trump administration's selective tariffs, the second Trump administration's America First weaponisation of tariffs differs from both previous administrations because it is a more blatant challenge to both the theory and practice of the orthodox trade system on a global scale.

The mercantilist policies are consistent with rejection of international human rights and environment agreements in favour of anti-democratic processes of authoritarian government by corporate elites. This is not to suggest a causal or motivational relationship, but rather a confluence between the political stance and the mercantilist theory and practice. Trump has used authoritarian executive powers to implement tariffs. He has appointed Elon Musk and other digital technology leaders and representatives of the fossil fuel and pharmaceutical industries to key administration positions to oversee trade and economic policy changes which suit their interests in a more systematic and blatant way than previous administrations.

The central ambition is to counter economic and geopolitical competition from China by strengthening US trade dominance. Seen from this perspective, the three features on which this article has focussed –

mercantilist trade theory and practice, repudiation of UN human rights and climate agreements, and domestic authoritarianism – are mutually reinforcing. They have the common aim of strengthening US corporate dominance.

While it is still too early to assess the longer term economic and political impacts of America First policies in the US and globally, the initial impacts indicate that these policies may not achieve their stated domestic aims. Trump's policies are not supported by all sections of capital, evidenced by financial market reactions and small business legal challenges to tariffs. Rising inflation and cuts to health and welfare may further reduce popular support and create resistance.

Other factors also cast doubt on the aim of strengthening US global dominance. America First policies may contribute to lower global economic growth, both in the US and globally. Divide-and-rule bilateral agreements have had limited application. Governments are diversifying trade away from the United States and some are strengthening links with networks like the BRICS, of which China is the largest member.

America First policies create a more brutal form of capitalism. The higher tariffs will have their worst impacts in low-income Global South countries, compounded by the withdrawal of US aid, leading to increased global inequality. Concurrently, the Trump administration's policies undermine global efforts to address the climate crisis. A more unequal and unsustainable world is a predictable prospect. Defence of the flawed orthodox trade system is not an answer to these threats. Rather, the challenge is whether incipient forms of resistance to these policies can develop into effective support for more progressive alternative policies.

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WAGE DECOUPLING REVISITED

Thomas Greenwell

There is a long-standing debate on whether the link between productivity growth and real wage growth has become weaker. International contributions have come from the OECD and the IMF. The evidence on the topic was also considered in a special issue of the *Journal of Australian Political Economy* in 2018. The Productivity Commission attempted to settle the debate with an intervention in 2023, the year after the passage of the *Secure Jobs, Better Pay Act* and around the time the Parliament was debating the *Closing Loopholes Bill*. This article discusses that intervention and seeks a better, more nuanced understanding of the dynamics shaping the changing relationship between productivity and real wages and of the role of workers' bargaining power within those dynamics.

For the purposes of this analysis, wage decoupling will be taken to mean the occurrence of a gap between growth in productivity and growth in real wages that persists over long periods, as measured by the difference between growth of output per hour worked and real compensation per hour worked. In standard economic theory, labour will be utilised up to the point that marginal product of labour is just equal to the real wage and the market for labour clears. On that reasoning, the income shares of capital and labour could be expected to be stable over time, helping to ensure macroeconomic stability and perhaps some sense of fairness in how national income is distributed. Orthodox institutions like the Productivity Commission (2023) regard weakness in the relationship between productivity and real wage growth as problematic and therefore potentially requiring attention from policymakers to design reforms to remedy the underlying causes of that weakness.

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'Wage Decoupling Revisited'
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This article considers the relevant evidence and arguments around wage decoupling in Australia. It begins by examining the Productivity Commission's analysis of wage decoupling, followed by a reconsideration of the Commission's analysis, applying its methodology to quarterly and annual national accounting data. It then presents the results of a shift-share analysis to identify the main drivers of the decline in labour's share of Australian national income. Taken together with the survey of explanations for wage decoupling, this analysis shows that fluctuations in the terms of trade are an important feature of wage decoupling but not the main reason for labour's declining income share. Rather, the bigger influence is a reduction in workers' collective bargaining strength. The policy implications of these findings are briefly considered at the end of the article.

The Productivity Commission's view on wage decoupling

In late 2023, the Productivity Commission published a short note in response to a debate that had been going on for some years around the extent to which wages growth had decoupled from productivity growth (Productivity Commission 2023). The note was published in the context of a broader push by the Labor Government to reform the industrial relations system. The rationale for the intervention was that, in the wake of the COVID-19 pandemic, productivity growth had slowed while real wages were falling. The Commission took the view that there was a risk that if the link between wages growth and productivity had indeed weakened, then policy would shift away from facilitating and improving productivity growth and towards measures to support wages growth. The Commission was apparently troubled by the idea that the policy pursued would not align with the underlying causes of the weakening link between productivity and real wages.

The aim of the Commission's note was to settle the question of the actuality and extent of wage decoupling by using a consistent and conceptually sound data series. According to the Commission, debate on the topic had been 'dogged by differences in the methods and data' that could 'lead to different, sometimes misleading conclusions' (Productivity Commission 2023:2). In this context, the Commission mentioned the Australian Council of Trade Unions and research work published by Jim Stanford in this journal (Stanford 2018a).

Attempting to settle the debate, the Commission used data from the Labour Account and the National Accounts to construct aggregate and industry-level measures of productivity and real wages. The measure of real wages taken as most relevant by the Commission was that of the producer wage – *i.e.*, the perspective of the employer. The Commission sought to justify this on the basis that ‘businesses have control over the prices they set and wages they offer; but limited control over the prices people pay for other goods and services’ (Productivity Commission 2023:2). For the Commission, a business is considered to be reliant on the prices it receives for its output, which in turn determines the limits of its capacity to pay wages.¹ The Commission notes that ‘the labour share of income is equivalent to the ratio of real producer wages to labour productivity’ (Productivity Commission 2023:2).

This article similarly adopts the producer real wage as the unit for analysis for two reasons. The first is that if the question to be addressed is why the labour share of national income has declined, the producer real wage is the best approach to interrogate that problem. The second reason is that it is better to test the robustness of the Productivity Commission’s results by adopting its preferred method of analysis, rather than by taking another approach that the Commission could then reject on methodological grounds.

The Commission’s general conclusion from its analysis is that in aggregate, Australia has experienced wage decoupling, but that an aggregate view of the divergence of between productivity and producer real wages is misleading. Instead, the Commission argues that just two of the Australian economy’s major industry sectors – Mining and Agriculture, forestry and fishing – account for the majority of the wage decoupling observed at the national level. This is because each of these sectors is export focused and reliant upon prices set in international commodity markets. As the Commission states: ‘a rising terms of trade depressed real producer wages, but [had] little direct effect on productivity [...] the rising terms of trade also drives a wedge between productivity and producer

¹ The alternative measure is the consumer real wage, which is the average nominal wage deflated by the Consumer Price Index. While consumer prices generally move in line with producer prices, this relationship may be weaker in commodity-exposed economies and can vary because of subsidies or changes in taxation (like childcare being made free during the pandemic or the introduction of the GST in the early 2000s).

wages,’ which is the ‘key feature of the wage decoupling observed in Australia’ (Productivity Commission 2023:3).

Focusing on the rest of the economy (comprising all sectors other than Mining and Agriculture, forestry and fishing), the Commission argues that there is a ‘much smaller gap between growth in labour productivity and growth in real wages’ during the period examined (1994-95 and 2021-22). The Commission concedes that there is a very small amount of wage decoupling, only to then imply that this is not sufficient to trouble policymakers (Productivity Commission 2023:5). The implication is that the minor extent of decoupling is part of normal movements in the aggregate economy and that, broadly, real wages and productivity growth are tracking together.

Moreover, any changes in the labour share arising from increases in the terms of trade are nothing untoward as commodity producers do not control these prices and, so, are simply accidental beneficiaries of international price fluctuations. This gives the outcomes the air of inevitable legitimacy. The Commission concludes that the concern is with lifting productivity, not to be troubled by the wage decoupling it finds when the primary commodity sectors have been stripped out of the analysis.

Assessing the veracity of this view in the main focus of the rest of this article, using the same methodology as the Commission and applying it to both quarterly and annual national accounting data for the Australian economy.

Wage decoupling revisited

There is little dispute that there has been some decoupling of the relationship between productivity and wages in Australia over the decades since the 1990s and that labour’s share of national income has fallen. The matters of contention concern the nature and source of this decoupling, and whether it is widespread across industries.

At the aggregate level, between September 1992 and December 2024, GDP per hour worked increased by 49.2%. Over the same period, the real producer wage increased by 31.0%, showing a notable weakening of the

link between productivity growth and growth in the real producer wage (see Figure 1).²

Figure 1: Index of productivity and real wages (September 1992 = 100)



Source: ABS (2025a) and author's calculations. Note: September 1992 is chosen as the starting point because it was one year after the end of the 1990s recession.

Major structural changes in Australia's economy occurred during those three and a half decades, including ructions in industrial relations policy that began in the mid-1990s and continued through to the 2010s, as well

² It is worth noting that, due to the lockdowns during the pandemic, productivity outcomes became distorted due to shifts in the composition of employment and the relative productivity of those industries that remained open during the lockdowns. The Productivity Commission (2024) says that this led to a productivity bubble that ended in March 2024. But this may be regarded as relatively minor in relation to the longer-term relationship between the growth of productivity and wages prior to the pandemic. Between September 1992 and December 2019, GDP per hour worked rose by 50.3%, while the real producer wage rose by 32.3%. This is almost exactly the same relative difference between productivity growth and real wage growth that occurred over the longer period ending December 2024.

as a significant shift in GDP composition after the commencement of the mining boom in the early 2000s. Canvassing the entire period without considering these structural changes leaves out important drivers of the shifts and changes in the relationship between productivity and real wages.

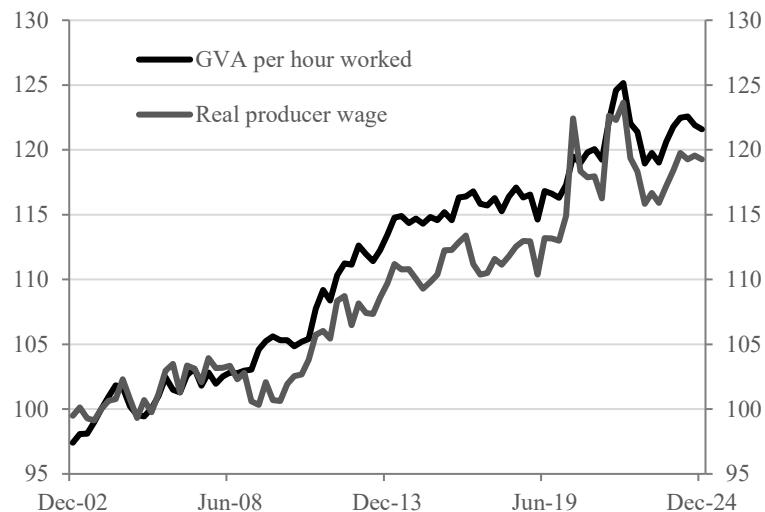
The Productivity Commission's view is that the most important driver was the impact of changes in the terms of trade around the time that mining boom began. From June 2004, annual growth in the terms of trade nearly doubled and remained very high until the sharp declines in March 2012 (ABS 2025f). It is therefore instructive to examine how the relationship between productivity and real wages looked before and after this major turning point. Between September 1992 and December 2003 – the last quarter before growth in the terms of trade accelerated – GDP per hour worked increased by 28.0%, while the real producer wage increased by a much more modest 19.8% over this same period. Subsequently, between December 2003 and December 2019 – covering the mining boom period to just before the onset of the pandemic – GDP per hour worked increased by 17.4% while the real producer wage increased by only 10.4%.

The evidence for these two distinct periods indicates that, at the aggregate level, the relationship between productivity growth and real wage growth had already begun to weaken. This occurred before the terms of trade shifted dramatically, and the structural change of the mining boom reflected a continuation of this trend. In fact, between December 2003 and December 2024, GDP per hour worked increased by 16.6%, while the real producer wage increased by only a little over half that amount, rising by 9.4%. This indicates that wage decoupling in the Australian economy has been longstanding and persistent, despite the ruptures of the pandemic and the tightest labour market in a long time.

Yet it remains pertinent to ask whether fluctuations in the terms of trade, an important feature of Australian economic life, have been a key factor in the weakening of the link in the domestic market sector. Adopting the Commission's approach of excluding the primary commodity industries (Mining and Agriculture, forestry and fishing) and then examining the link between productivity and real wages in the rest of the economy is a useful means of assessing how widespread the weakening of the link between productivity and wages has been. Figure 2 shows the relevant period between December 2003 and December 2024. Real gross value added (GVA) per hour worked in the non-commodity market sector rose by 21.6%, while the real producer wage in the same segment of the economy

rose by 19.3% (see Figure 2). Similar outcomes were prevailing before the pandemic, with real GVA per hour worked in the domestic private sector increasing by 16.3% between December 2003 and December 2019, compared to an increase of 13.0% in the real producer wage over the same period. This indicates wage decoupling in the non-commodity market sector, but significantly less than for the Australian economy as a whole.

Figure 2: Index of non-mining market sector productivity and real wages (December 2003 = 100)



Sources: ABS (2024c, d, 2025a), Productivity Commission (2023) and author's calculations. *Note:* December 2003 is chosen as the base date because it is one quarter before the rapid acceleration in the terms of trade.

Using the quarterly national accounts limits the time period available for study because the data series on nominal gross value added only extends back to September 2002.³ However, using the annual national accounts, as

³ Real gross value added per hour worked in the non-commodity market sector rose by 23.6% between September 2002 and December 2024, while the real producer wage in the same segment of the economy rose only 18.3% over the same period.

the Commission does, yields essentially the same result. Between financial year 1994-95 and 2023-24, real gross value added in the non-commodity market sector rose by 53.0%, while the real producer wage rose only by 46.1%. Between 1994-95 and 2017-18, capturing the pre-pandemic period, GVA per hour worked rose by 46.1%, while the real producer wage rose by only 37.7% in the domestic private sector. The weakening of the relationship was in train during the period of the mining boom as well, with GVA per hour worked up by 18.7% between 2002-03 and 2017-18, while the real producer wage rose only by 11.6% over the same period. These results are summarised in Table 1.

Table 1: Productivity and real wage growth (%), non-commodity market sector

Period	Productivity	Real Wage	Difference
Quarterly			
Sep-02 to Dec-24	23.6	18.3	-5.2
Dec-03 to Dec-19	16.3	13.0	-3.3
Dec-03 to Dec-24	21.6	19.3	-2.3
Financial year			
1994-95 to 2023-24	53.0	46.1	-6.9
1994-95 to 2017-18	46.1	37.7	-8.5
2002-03 to 2017-18	18.7	11.6	-7.1
2002-03 to 2023-24	24.2	18.4	-5.8

Sources: ABS (2024c, d, 2025a), Productivity Commission (2023) and author's calculations. *Note:* Difference is equal to real producer wage growth less productivity growth.

productivity growth.

This analysis indicates that there has been wage decoupling in the Australian economy that has not been primarily driven by the gyrations in the terms of trade and structural change arising from the mining boom. It shows that the weakening of the link between productivity and real wages

was well in train before the terms of trade effect in the early 2000s. Moreover, it suggests that wage decoupling has also been occurring in the non-commodity market sector of the economy, *i.e.*, excluding the primary industry sectors that are most exposed to international commodity prices. This outcome is important in the context of the Commission's analysis because it is the terms of trade exposed sectors that are so critical to its understanding of and conclusions around wage decoupling in Australia's economy. It is also the non-commodity market sector that is a significant driver behind the fall in the labour share of income, an issue that will be explored further in the next section.

Shifts in the share: The declining labour share of income

An important consideration is whether the sectors of Australia's economy that have experienced wage decoupling are behind the fall in labour's share of national income. The central question is whether the decoupling of productivity growth from real wage growth has been matched by corresponding shifts in labour's share of national income during the period being examined.

If real wages grow more slowly than productivity, it would be expected that the labour share would decline over time. Indeed, as documented in this journal by Stanford (2018a), over the long stretch of Australia's economic history, the labour share of factor income has declined steadily since its peak in the 1970s. In the Commission's telling, this is primarily due to the outsized contributions of the commodity exporting sectors to Australia's economy.

This section digs deeper into this issue by undertaking a shift-share analysis. The shift-share approach has been used in previous analyses of the decline in the labour share (Cowgill 2012; OECD 2012; IMF 2017; Productivity Commission 2023) and is used here to re-examine the drivers of the decline in the labour share of income.⁴

⁴ One complication in measuring the labour share of income is how to allocate what in the National Accounts is referred to as 'gross mixed income', which is the income of owners of unincorporated enterprises. This income can be considered partly as a payment for the owner-operators' labour and partly as the return on capital from the business. To account for this, both Cowgill and the Productivity Commission use the standard method of imputing the labour income of owners of unincorporated enterprises by assuming the hourly wage received

The shift-share approach decomposes the fall in the labour share into [1] the *within-industry* component which accounts for falls in labour shares within industries; and [2] the *between-industry* component, which results from shifts in output and income to industries with smaller labour shares.⁵

Table 2 reports the contributions to the change in the labour share between September 2002 and December 2024. The direction of travel is shown in Figure 3. As can be observed there, the downward trend in the labour share (and the corresponding rise in the profit share) was most clearly present in the pre-pandemic period, but the tight labour market conditions prevailing since mid-2022 have given rise to a partial reversal of the decline.

Over this period, the labour share declined by 4.4 percentage points, driven by a 3.7 percentage point contribution of within-industry changes and a more modest 0.8 percentage point contribution from the overall structural shift to industries with a lower labour share (see note on Table 2).

Most of the within-industry effect arose from falls in the labour share in the non-commodity market sector, which accounts for around three quarters of the total within-industry change and for just under of two thirds of the total decline in the labour share. The commodities sector makes up only a third of the total within-industry effect, with the non-market sector offsetting this with a small positive contribution – *i.e.*, a shift towards the labour share in these industries.

However, the primary production sector did account for the majority of the decline in the labour share arising from shifts in production towards industries with a lower labour share. As Table 2 shows, the commodity sector's 2.7 percentage point drag on the labour share was only partially offset by a 1.0 percentage point positive contribution by the non-commodity market sector and the 0.9 percentage point contribution arising from shifts in production and income to the non-market sector. That said, the contribution of shifts to industries with a lower labour share accounts

is equal to the average compensation of wage and salary earners and attributing this to labour income. This article follows the Commission's approach as outlined in the Appendixes of the wage decoupling note (Productivity Commission 2023).

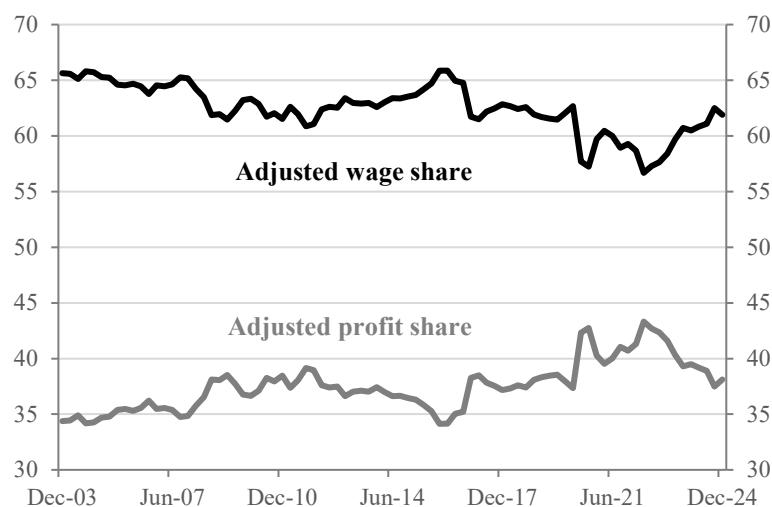
⁵ It is beyond the scope of this paper to interrogate the determinants of lower labour shares in particular industries, which may arise from various social or structural determinants. The relative shares are taken as given without further comment, although it is worth noting that gender undervaluation aspects of pay in certain industries have been the subject of review in 2024 and 2025 by the Fair Work Commission (2025).

for less than a fifth of the total decline in the labour share, so the within-industry effect is far more important and, within that component, the non-commodity market sector has been the key sector accounting for the overall decline in the labour share.

Thus, looking at the total effect is misleading, as it would give the impression that the commodities sector has been far more significant. However, as decoupling within the non-commodity market sector has had the largest pull on the downward trend in the labour share in the most significant component – the within-industry effect – to attribute all decoupling to the commodities sector would be lacking in nuance and explanatory power.

Further, even after taking account of the positive contribution of production shifting to industries in the non-commodity market sector with a higher labour share, the overall effect of this sector is a drag of 1.8 percentage points on the labour share, accounting for around 40% of the total decline in workers' share of national income.

Figure 3: Wage and profit shares of factor income (%)



Sources: ABS (2024c, d, 2025a), Productivity Commission (2023) and author's calculations.

Table 2: Contributions to the decline in the labour share, September 2002 to December 2024

	Within-industry	Between-industry	Total effect
Commodities sector	-1.2	-2.7	-3.8
Agriculture	-0.8	0.2	-0.6
Mining	-0.4	-2.8	-3.2
Non-commodity market sector	-2.8	1.0	-1.8
Manufacturing	0.1	0.1	0.2
Utilities	0.2	0.2	0.4
Construction	-0.2	0.1	-0.1
Wholesale trade	-0.3	0.0	-0.3
Retail trade	-0.8	-0.1	-0.9
Accommodation	-0.3	-0.1	-0.4
Transport	-0.5	0.0	-0.5
Media & Telecom	0.6	0.4	1.0
Financial services	-0.6	0.1	-0.5
Real Estate	0.0	0.0	0.0
Prof. & Tech. services	-1.2	0.1	-1.1
Administration	0.0	0.3	0.3
Arts & Recreation	0.0	0.0	0.0
Other services	0.3	-0.1	0.1
Non-market sector	0.3	0.9	1.2
Public admin	0.0	0.0	-0.1
Education	0.1	0.1	0.2
Health care	0.2	0.9	1.1
All industries wage share	-3.7	-0.8	-4.4

Sources: ABS (2024c, d, 2025a), Productivity Commission (2023) and author's calculations. *Note:* differences due to rounding barriers.

For the period of the mining boom until just before the pandemic, similar results are evident. Between December 2003 and December 2019, the labour share declined 3.6 percentage points, driven by a 1.9 percentage point decline arising from within-industry changes and a 1.7 percentage point drag from the between-industry changes. The decline over this period is more balanced, with a 0.9 percentage point drag arising from within-industry changes in the non-commodity market sector, accounting for just under half of the decline driven by within-industry changes and a quarter of the total decline in the labour share. Alongside this, the commodities sector gave rise to a 1.1 percentage point drag from shifts to profits within that sector of the economy, accounting for just over half of the within-industry drag on the labour share of income and a third of the total decline in the labour share.

During this period, by far the largest effect arose from production shifting to the commodities sector, with the 3.0 percentage point decline accounting for over 80% of the total decline in the labour share over the duration of the mining boom between early 2004 to just before the pandemic (see Table 3). While this latter outcome is hardly surprising, it does not diminish the importance of the domestic private sector in the decline in the labour share, consistent with the earlier explored gap between growth in productivity and growth in real producer wages within this segment of the economy.

Looking more generally at the results of the shift-share analysis for the pre-pandemic period and examining up to September 2019 (Table 3), there is a larger decline in the labour share and a larger share for the non-commodity market sector in driving that decline in the within-industry component than when the analysis ends in December 2019. This is because there was a large fall in the terms of trade in December 2019, driven by sharp quarterly declines in the price of mining export commodities – Metal ores and minerals and Coal, coke and briquettes – that greatly diminished the profitability of mining firms in the quarter and thus had a notable impact on relative shares of income (ABS 2025f). Thus, while the Commission is on firm ground pointing to the importance of the terms of trade for changes in the labour share and the relationship between productivity and real wages, this particular instance throws into sharp relief how important the domestic private sector has been for the decline in the labour share and weakening of the relationship between productivity and real wages.

Table 3: Contributions to the decline in the labour share

	Within-industry effect	Between-industry effect	Total effect
December 2003 to September 2019			
Commodities sector	-1.2	-3.1	-4.3
Non-commodity market sector	-1.2	0.6	-0.6
Non-market sector	0.1	0.6	0.8
<i>All industries wage share</i>	-2.2	-1.9	-4.2
December 2003 to December 2019			
Commodities sector	-1.1	-3.0	-4.1
Non-commodity market sector	-0.9	0.7	-0.2
Non-market sector	0.1	0.6	0.7
<i>All industries wage share</i>	-1.9	-1.7	-3.6

Sources: ABS (2024c, d, 2025a), Productivity Commission (2023) and author's calculations.

The quarterly results are consistent with those derived from the annual data, used by Commission in its note exploring the decoupling issue. Between 1994-95 and 2023-24, the labour share of income declined by 7.0 percentage points, driven by a 6.8 percentage point drag from within-industry effects and a minor 0.2 percentage point detraction by between-industry effects. As with the quarterly data, the non-commodity market sector accounts for the largest share of within-industry effects, pulling the labour share down by 4.1 percentage points, followed by the commodities sector making a smaller but still significant detraction from the labour share of 3.0 percentage points (see Table 4). As with the analysis presented earlier, while the export-oriented commodities sector has been an important driver of the wage decoupling experienced in Australia, the dynamics in the domestic private sector have also been important for explaining the decline in the labour share since the mid-1990s. It is not therefore adequate to claim that the increase in the terms of trade has done all the heavy lifting.

Reinforcing this finding is that between 2002-03 and 2017-18, the non-commodity market sector accounted for 2.9 percentage points of the total

decline in the labour share of income, or four fifths of the within-industry effects that brought the labour share down. (see Table 5). The effect of the non-commodity market sector was to pull the overall labour share down by 1.9 percentage points, which accounts for just under half of the total decline in the labour share.

Table 4: Contributions to the decline in the labour share, 1994-95 to 2023-24

	Within-industry effect	Between-industry effect	Total effect
Commodities sector	-3.0	-3.7	-6.7
Non-commodity market sector	-4.1	2.9	-1.2
Non-market sector	0.3	0.6	0.9
All industries wage share	-6.8	-0.2	-7.0

Sources: ABS (2024c, d, 2025a), Productivity Commission (2023) and author's calculations.

Table 5: Contributions to the decline in the labour share, 2002-03 to 2017-18

	Within-industry effect	Between-industry effect	Total effect
Commodities sector	-1.0	-1.9	-2.9
Non-commodity market sector	-2.9	1.0	-1.9
Non-market sector	0.3	0.5	0.8
All industries wage share	-3.7	-0.4	-4.0

Sources: ABS (2024c, d, 2025a), Productivity Commission (2023) and author's calculations.

As already indicated, it is insufficient to represent the decline in the labour share and the weakened link between productivity and real wages as resulting from the changing terms of trade. The data points to a much more complicated and nuanced processes that include declines in the labour share arising from within the domestic private sector.

Two inferences can be drawn from this analysis. One is that the fall in the labour share within industries is a more significant driver of the decline in the adjusted labour share than the shift in output and income to lower labour share industries. This result is consistent with the findings of the OECD (2012) and the IMF (2017), which both concluded that within-industry changes were more critical in bringing down the labour share in a range of countries than was the effect arising from the structural shift in resources and output to lower labour share industries. The second inference is that an important driver of the declining labour income share in Australia has been the non-commodity market sector, which accounted for a significant part of the fall in the labour share – irrespective of the time periods chosen.

In other words, the fall in labour's overall income has been driven more strongly by declines in the labour share in domestically based industries than by falls in its share within the export-focused commodities industries or the structural shift in production towards those commodity-focused industries.

Together, these two findings point to the need for a fuller and more dynamic explanatory story than the Productivity Commission has provided. The results are more consistent with previous research by the ACTU on the decline in the labour share (Cowgill 2012). This is not to diminish the importance of the shift in production to primary industries that the Commission emphasises, which raises important policy considerations about the taxation of mining companies' high profits and the need to transition to a low carbon economy. But it does suggest that, when trying to understand the dynamics of the link between productivity and wages – and potential policy responses – fuller treatment is required than has been provided by the Productivity Commission's brief note.

Explanations for wage decoupling in Australia

The reasons behind the long-term decline in the wage share, both globally and in Australia, have been the subject of analysis for over a decade. Examining the question at a global level in the early 2010s, the OECD (2012) argued that technical change and the globalisation of production were drivers of the decline in the labour share. The advancements and diffusion of information and communication technology cheapened capital goods and allowed automation of production and the substitution of capital for labour. The OECD also argued that the removal of restrictions on capital and trade across borders led to offshoring and increased pressure on firms to lower labour costs, further contributing to a decline in the labour share. Importantly, the OECD stressed that these factors lowered the bargaining power of workers, exacerbated by declining union membership and a weakening of the institutions of collective bargaining.

The IMF arrived at similar conclusions when the question was re-examined in its April 2017 *World Economic Outlook* (IMF 2017). Its analysis pointed to a strong role for technology and global integration in the decline in the labour share. The IMF argued, in line with the OECD, that the integration of economies within global value chains and capital markets played a role in the decline in the labour share, albeit a smaller one than technology. In advanced economies, offshoring and increased import competition led to declines in middle-skilled occupations and displacement into lower wage jobs for these workers. In this telling, the impact of policy and labour market institutions was quantitatively limited, although the IMF stresses that there were challenges separating trends in global integration from de-unionisation. It noted several channels through which technological advancement and globalisation may have weakened labour's bargaining power, including through offshoring (and the credible threat thereof) and the decline in union density arising from trade integration. Although the Fund stated that it is 'extremely difficult to quantify the distinct effects of each of these drivers' (IMF 2017:128), declining bargaining power looms like a shadow over how the IMF understands the decline in the labour share and it would be implausible to discount it entirely.

In any case, pointing to general factors like the acceleration of technological change and the intensification of globalisation as the main

drivers of the declining labour share are not convincing in and of themselves. As Stanford (2019) notes, in Australia slow business investment over the 2010s led to production becoming more labour intensive, and although productivity growth outran wages growth, productivity growth did not accelerate outside the mining sector. Further, while some trade-exposed industries have been negatively affected, as Stanford (2019) rightly points out, many industries such as resource extraction, some manufacturing, tourism, higher education and finance sectors have benefited from Australia's economy being opened to international trade. While general propositions about technical change and globalisation affecting relative income shares remain unconvincing, their impact on reducing bargaining power, hinted at by the IMF and mentioned explicitly by the OECD, makes for a more compelling explanation of the developments in Australia.

Domestically, several attempts have been made to understand the decline in the labour share of income. Examining the role of financialisation in the declining labour share, Peetz (2018) argues that there has been a shift to 'not there' capitalism, whereby the fragmentation of corporate structures is used to minimise the labour costs and accountability of the central capitalist entity, while still maintaining a high degree of control over the firm. Corporate structuring of this sort has contributed to de-unionisation and an increase in arms-length and non-standard forms of employment that minimise labour costs. Behind this shift to 'not there' capitalism has been the increased focus on shareholder value and greater intervention by finance capitalists to ensure the greatest possible extent of labour cost minimisation. This kind of institutional restructuring diminishes the ability of unions to act on workers' behalf while also fragmenting the workforce, reducing workers' ability to organise and exert influence, contributing to an overall decline in the bargaining power of workers.

In a previous article in this journal, Stanford (2018a) argued that the significant labour market restructuring undertaken in Australia since the early 1980s also contributed to a weakening of the bargaining power of workers and hence a decline in the labour share of income. Stanford pointed to the decline in union density in Australia; the erosion of minimum wages; the restructuring of the awards system away from being a mechanism for spreading improved pay and working conditions across industries and towards a minimum safety net; and the expansion of non-standard and precarious employment. The cumulative impact of these

changes has been to diminish the industrial power of workers and leave them increasingly at the mercy of employers.

Developing this theme, Stanford's work published later in the same year (Stanford 2018b) traced the erosion of workers' bargaining power through the changes in industrial relations legislation over the past few decades. The *Industrial Relations Reform Act 1993*, passed by the Keating Labor Government, introduced collective bargaining (including agreements being implemented without union participation) and shifted industry awards from being at the leading edge of wages and conditions into the role of safety net. The 1993 legislation also recognised the right of workers to strike but put strict boundaries around it.

Deeper changes then came with the Howard Government's *Workplace Relations Act 1996*, which required the provision of conditions in enterprise agreements to apply to all workers at a worksite, whether union members or not – effectively legalising free-riding and weakening incentives to join a union, diminishing both union resources and their role in the process of setting wages and conditions. The 1996 laws also extended the scope of non-union agreements, giving employers the capacity to implement weak agreements with minimal resistance. The right of union officials to enter workplaces were also tightened by the Howard Government, starting with the 1996 laws that restricted unions' capacity to organise and engage with workers.

Going further in its anti-union campaign, the Howard Government introduced new provisions for individual contracts, further undermining collective bargaining. Stringent boundaries were put around what could be discussed during collective bargaining and the rights of employers to dismiss workers were enhanced, further squeezing the bargaining power of workers and their unions.

These legislative interventions during the Howard era provoked a sharp reaction from the unions, but the subsequent Labor Government, elected in 2007, did not do much to reverse the legislative inhibitors to workers' bargaining power. The *Fair Work Act 2009*, while temporarily expanding collective bargaining, continued with the restrictions on union activity, including right of entry and industrial action (Stanford 2018b). Although the *Act* did establish the Fair Work Ombudsman as a regulator, the compliance model was weak and the lack of enforcement of minimum standards remained widespread. Stanford concluded that the impact of industrial relations legislation since the 1990s had been 'a profound shift

in power in favour of employers' (Stanford 2018b:176) and that the legislative changes acted as a severe drag on labour's share in national income.

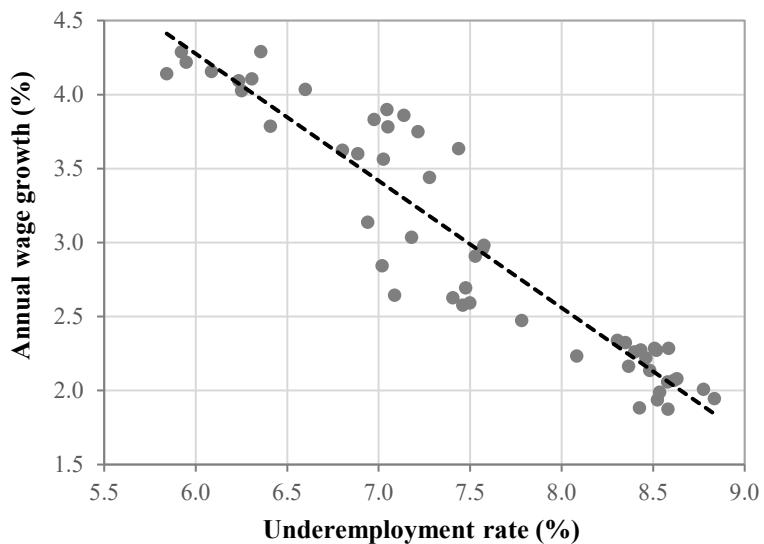
Subsequent publications examined the data around the erosion of collective bargaining after 2010 and the role the decline in collective bargaining in weakening wage growth. Documenting the decline in collective bargaining coverage over the 2010s, Stanford *et al.* (2022b:36) concluded that the erosion 'reflects a historic shift in relative bargaining power from workers and towards employers.'

Further, and in line with Stanford's 2018 intervention, Stanford *et al.* (2022a) argued that the slowdown in wages growth during the 2010s was also driven in part by a rise in underemployment, linked to a rise in casual, part-time, 'gig' and other non-standard forms of employment. Workers in these jobs, facing tenuous employment conditions and often wanting to work more hours could be activated as a source of labour supply without putting upward pressure on wages growth. Insecurity of work meant their bargaining power was diminished – as they would be more compliant for fear of losing hours or their job – with the result that the link between the growth in labour productivity and growth in real wages was further eroded.

Macroeconomic data provides some support to this argument. Figure 4 below plots annual wage growth (measured by the Wage Price Index) during the period from March 2007 to December 2019 against the quarterly average of the underemployment rate two quarters prior. A strong, inverse association is evident between the underemployment rate and annual wage growth six months later. Employers had been increasingly using variations in hours, instead of layoffs, as their means of adjusting the amount of labour employed while the rise in insecure work and non-standard forms of employment identified in Stanford *et al.* (2022b) continued apace.

The institutional position of weakness for workers in non-standard forms of employment, where they are always seeking greater hours and can be activated without putting any pressure on wages, points towards weakening bargaining power of workers sitting behind the weakening link between productivity and wages, slowing wage growth, and the on-going decline in the labour share of income.

Figure 4: The underemployment rate and annual wages growth, March 2007 to December 2019

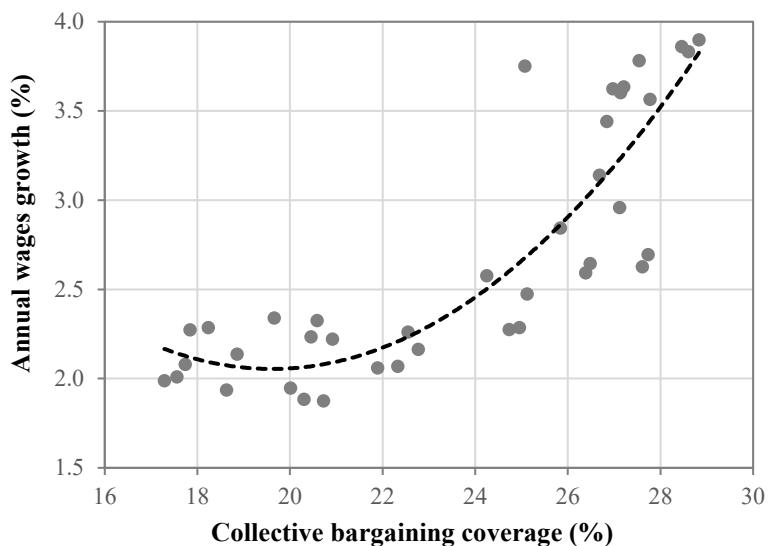


Sources: ABS (2025b, e) and author's calculations. Note: The period after December 2019 is excluded due to disruptions and volatility in industry composition of employment arising from COVID-related lockdowns.

Additional support for this proposition can be found in the association between annual wages growth and collective bargaining coverage during the period from March 2010 – one year after the passage of the *Fair Work Act 2009* – and December 2019. Figure 5 plots annual wage growth (again using WPI) against the share of employees on federally registered collective agreements. A strong positive connection is evident between collective bargaining coverage and wages growth. As the coverage ratio of collective agreements began to slide, so did wages growth, with fewer employees on collective agreements and a greater number moving into non-standard forms of employment, *i.e.*, being in a weaker position with less certainty around pay, hours and conditions. During the slowdown in wages, when the link between productivity and real wages had already been weakening for some time, workers' bargaining power was further

diminished as fewer workers were on collective agreements that provided consistent wage increases and more certainty in working conditions.

Figure 5: Collective bargaining coverage ratio and annual wages growth, June 2010 to December 2019



Sources: Department of Employment and Workplace Relations (2025), ABS (2025c, e), and author's calculations. *Note:* The horizontal axis shows employees on federally registered enterprise agreements as a share of total employees.

Further, the period after December 2019 is excluded due to disruptions and volatility in industry composition of employment arising from COVID-related lockdowns

Yet more support for the view that labour's declining bargaining power is crucial to explaining labour's falling share of national income and the weakening link between productivity growth and real wage growth comes from research published by Guschanski and Onaran (2022). Using industry-level data for 14 OECD countries, including Australia, the authors found that the reduction in labour's bargaining power was the key element in the decline in the wage share between 1970 and 2014. It was a

period of falling unionisation rates; weakening minimum wages; fiscal austerity in the welfare-state structure; and increasing women's employment in sectors with gender pay gaps. Unlike the OECD and IMF, Guschanski and Onaran did not find much support for the role of technological change and ICT capital intensity in explaining the fall in the labour share. That result is more consistent with Stanford's (2019) view that technological change is not a compelling explanation in the Australian case.

While Guschanski and Onaran's (2022) work did not cover the whole period that this article addresses, the argument that a decline in workers' bargaining power was putting downward pressure on wages is consistent with remarks made late-2017 by the then-RBA Governor Philip Lowe on the reasons for subdued wages growth. Lowe (2017) said:

Many workers feel there is more competition out there, sometimes from workers overseas and sometimes because of advances in technology. In the past, the pressure of competition from globalisation and from technology was felt most acutely in the manufacturing industry. Now, these same forces of competition are being felt in an increasingly wide range of service industries. This shift, *together with changes in the nature of work and bargaining arrangements*, mean that many workers feel like they have less bargaining power than they once did [emphasis added].

Lowe's emphasis here is on how the threat of offshoring and the widening range of jobs affected by the integration into global value chains have weakened the position of workers relative to capital. An important component of this weakening in bargaining power, supported by the data but only hinted at in Lowe's comments, has been the rise in underemployment (via the increase in insecure and non-standard forms of employment) alongside a decline in collective bargaining.

This weakening of labour's power helps to explain the decline in labour's share of national income, as well as the subdued wages growth that began in early 2011 and ran through to as late as 2022. These factors compounded the long-run decline in the wages share of national income and further weakened the link between productivity growth and real wages growth that had previously existed. This line of argument is also more consistent with the other analyses examining the decline in the wages share in Australia, including Peetz (2018), Stanford (2018a) and Stanford *et al.* (2022a; 2022b).

It is plausible, then, to conclude that an important factor in the decoupling between real wage growth and productivity growth, and the consequent decline in the labour share of national income in Australia, has been the weakening of workers' bargaining power, with the institutions and non-standard forms of employment that gave rise to this weakening also contributing to a domestic slowdown in wages growth in the period prior to the pandemic. This conclusion indicates the need for measures to shore up workers' bargaining power.

The Labor Government that came to office in 2022 has gone some way towards meeting this need through the introduction of multi-employer bargaining and the limitation of fixed-term contracts in the *Secure Jobs, Better Pay* legislative package (Jericho *et al.* 2023). The introduction of a common-sense definition of casual employment (that also provides casuals with a pathway to permanency), as well as the introduction of minimum standards for gig workers, which were part of the *Closing Loopholes* reforms (Burke 2024) also contributed to shoring up workers' bargaining power.

There are signs these reforms have been relatively successful. The share of total employees covered by a collective agreement reached 22.5% in the second quarter of 2025, up from 15.6% just prior to the passage of *Secure Jobs, Better Pay* (ABS 2025c, DEWR 2025). The proportion of jobs that are casual has declined (ABS 2025c) and union density rose from 12.5% in 2022 to 13.1% in 2024 (ABS 2024b), the first time that union density has increased in over a decade. An independent review of the *Secure Jobs, Better Pay* legislation found that the reforms were 'achieving the Australian Government's intent, operating appropriately and effectively and with minimal unintended consequences' (Bray and Preston 2025). Despite these successes, there is still a way to go to rebalance bargaining power towards Australia's workers, which will require further reform of the industrial relations system and a more expansive restoration of the union movement's ability to organise and collectively bargain.

Conclusion

This article has shown that the Productivity Commission's analysis does not adequately capture the underlying dynamics of wage decoupling in Australia. As this article has demonstrated, fluctuations in the terms of trade and the structural changes of the mining boom have had a significant

impact on the gap between the growth of productivity and real wages in Australia since the early 1990s, but this is far from being the full story. Wage decoupling in the Australian economy was in train before the significant mining boom of the early 2000s and has continued in the domestic private sector during and after the significant lift in the terms of trade that commenced around 2004. The non-commodity market sector has at various times been the largest contributor to the downwards pull on the labour share of national income, particularly arising from within-industry effects. For these reasons, it is misleading to dismiss labour's declining income share and the decoupling of real wages from productivity as a phenomenon arising principally from the terms of trade and the effect this had on the producer wage in certain parts of the economy.

Understanding decoupling requires greater attention to workers' relative bargaining power and the institutions that support it. During the last three decades, changes to industrial relations legislation have hobbled the ability of unions to organise and diminished the coverage and capacity of collective bargaining to secure good wage outcomes. The increased prevalence of non-standard forms of employment and widespread underemployment have also exacerbated the loss of workers' bargaining power. These have combined to weaken the link between productivity and real wages, reflected in labour's declining share of national income and the later slowdown in wages through the 2010s.

While it is easy to agree with the Productivity Commission that restoring productivity growth is an important consideration for living standards and an important policy objective, attention also needs to be given to the institutions that support workers and the forms of employment that undermine workers' bargaining power in the economy. Alongside reviving productivity growth, rebuilding workers' collective power will contribute to restoring the link between productivity growth and real wages, helping to ensure that working people receive their fair share of revived national prosperity.

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WHY CENTRAL BANKING WON'T RETURN TO NORMAL: THE RBA, THE PROPERTY MARKET, AND AUSTRALIAN HOUSEHOLDS

**Martijn Konings, Monique de Jong Mckenzie,
Lisa Adkins, Dallas Rogers and Martin Duck**

During ‘normal’ times, central bankers like to project an image of boring integrity and impeccable professionalism, committed to keeping the national economy stable while remaining staunchly independent from special interests. During the decade following the Global Financial Crisis, however, when central banks had recourse to ‘exceptional’ measures like large-scale asset purchases, that image was often hard to maintain. The COVID-19 pandemic took those difficulties to an entirely new level. To stop the economy from sinking into a severe recession, central banks across the world were called upon to orchestrate a dramatic extension of the financial safety net. The same central bankers who pride themselves on being immune to politicians’ preferences were now taking their orders directly from governments.

As the pandemic era came to an end, central banks tried to restore the status quo – a task that became all the more pressing as inflation surged. However, many have struggled with this transition. Experiences vary across countries and regions, of course. The European Central Bank is quarantined, by design, from national political influence and public opinion. Challenges to central bank independence have been particularly prominent in the US, where both the left and the right seek a politicisation

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D. Rogers and M. Duck (2026)**
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of monetary policy. Taking aim directly at Federal Reserve chair Jerome Powell, President Trump has actively rejected the notion that the central bank should enjoy institutional independence and has demanded executive influence over monetary policy.

Although Australian central bankers have not had to contend with politicians openly questioning their intelligence, the Reserve Bank of Australia too has had a very hard time restoring its image as an a-political, expertise-driven overseer of the financial system. The ‘return to normal’ has been a fraught trajectory during which the Bank has repeatedly found it difficult to avoid stepping onto politically charged terrain. This article examines that dynamic in relation to one of its main sources: the entanglement of monetary policy with Australia’s housing market and mortgage credit system. Of course, central bank policy always has distributional consequences and it has never actually been apolitical or neutral. But we argue that, in recent years, it has especially been the Bank’s relationship to the property market that has caused practical problems when it comes to maintaining or restoring appearances of distributional impartiality. The next section elaborates this claim and lays out the structure of the argument developed in the rest of the article.

Central banking and the property market in Australia

Like other central banks, the Reserve Bank of Australia is expected to balance different objectives, including employment, inflation, and financial stability (Goodhart 2011). However, the notion that has gained singular prominence over the past four decades (the ‘neoliberal’ era) is that central banks should focus primarily on controlling consumer price inflation, engaging other aspects of economic life to the extent that they affect general economic stability as reflected in the price level. This perspective is consistent with the ‘New Keynesian’ theory of inflation-targeting that has supported central bank independence during the ‘neoliberal’ era. According to that framework, when central banks become tempted to stimulate growth directly by seeking to boost employment levels or asset values, such policies are not only likely to backfire due to their inflationary effects but also encourage favour-seeking behaviour, resulting in a politicisation of their operations and a loss of credibility.

Heterodox perspectives have criticised this account of monetary policy, pointing out that central bank policies such as interest rate changes have

major consequences for the distribution of income and wealth in society and are therefore never neutral or apolitical. The commitment to containing inflation in particular implies an alignment with the interests of investors and property owners (Rochon and Setterfield 2008; Fanton 2018). While our analysis is broadly consistent with that heterodox critique, the objective of this article is not primarily to expose the ideological character of central bank neutrality but to examine how practices of monetary policy are shaped by the *limits* on a central bank's ability to shield the distributional impact of its policies from public scrutiny. In other words, we are less interested in 'unmasking' the central bank as a creature of neoliberalism, than in investigating what happens when the ideological mask slips of its own accord. Thus, the article analyses the dynamics set in motion by the tension between official representations of neutrality on the one hand and the undeniable distributional consequences of central bank policies on the other.

An analysis rooted in the prevailing heterodox critique of neoliberal central banking is likely to view the near future in terms of a fairly clear choice: neoliberal retrenchment, or a successful political challenge to that project. This article suggests that the waters are muddier: even in the absence of an organised political challenge from outside, the RBA's attempts to return to a neoliberal inflation-targeting framework are likely to be fraught. The reason is that the way the RBA has come to rely on the property market for the pursuit of its objectives means that it frequently and inadvertently politicises its decisions and policy strategies. That is not to trivialise the difficulties that can arise in other areas. For example, the channel whereby interest rate changes feed through into growth and employment levels is relatively indirect, mediated by many variables and characterised by longer timelines. Distributional consequences appear more diffuse, and popular interest remains relatively limited. By contrast, the impact of RBA policy on the mortgage market and household budgets is more direct and therefore it attracts far greater attention – RBA-watching has migrated from the sphere of high finance to the popular press.

Several specific institutional features of the Australian mortgage and housing system are responsible for their sensitivity to central bank decisions. First, Australia has a high rate of owner-occupancy. Although it has fallen in recent years, property ownership remains deeply embedded in the national imaginary and continues to be viewed as an essential ingredient of a middle-class lifestyle. Second, a series of legislative

changes related to the treatment of capital gains and tax write-offs has meant that many Australians also invest in property that they do not occupy. Third, most mortgages are what is known as ‘variable-rate’, meaning that repayments are readily adjusted via response to the RBA’s interest rate changes. Thus, the bulk of Australia’s mortgages, and therefore many households’ budgets, are exposed in a direct way to the central bank’s interest rate settings.

When the RBA comes under popular suspicion of having fomented a housing bubble and so having contributed to affordability problems, or when politicians accuse it of keeping rates artificially high and so harming mortgaged households, it invariably gives rise to RBA efforts to re-affirm its official mandate, and to declare its independence from special interests, whether politicians, households or the construction sector. But the frequency with which it has been seen to veer off course has complicated its ability to communicate a consistent message to the public and the markets.

Mirroring the tenets of hegemonic New Keynesian theories of monetary policy, the formal RBA position is that monetary policy takes account of financial dynamics and property markets only insofar as they affect inflation expectations and overall economic instability. But that has in practice not always been an unambiguous guideline. Financial change is volatile and its effects hard to predict, and the rapid growth of a debt-financed asset economy has often been judged to require forceful and even pre-emptive interventions.

The RBA has tended to justify such interventions by arguing that it does not target financial market indicators as objectives in their own right, and that mortgage market conditions are just an increasingly important transmission mechanism. However, as a way of justifying its policy stances to the rest of Australian society and government, that means/ends distinction has been imperfect. For many market participants and households, the ‘merely a transmission mechanism’ argument is a distinction without a difference – their primary concern is not with the Bank’s reasons or intentions but with the effects of its actions on their budgets. This generates pressure that has not always been easy to ignore for the RBA. At various points, as we demonstrate below, the RBA has found it difficult to maintain the pure instrumentality of the mortgage channel and has taken into account the effects of its interest rate decisions on housing market conditions and household portfolios in their own right.

In other words, the role of the RBA is marked by a degree of confusion that reflects the contradictions of the neoliberal restructuring of the Australian economy and society. That confusion is not intellectual or epistemic in nature, manifesting at the level of formal statements or communications. Indeed, few public agencies take as much care in arriving at their judgements and putting them out into the world, and even fewer have at their disposal so much research capacity to support that process. Instead, it is social and institutional, shaped by political perception and popular impression – the RBA is in a bind not of its own making. The Bank is situated at the intersection of conflicting forces and imperatives that it is not by itself able to harmonise, and this troubles the implementation of policy according to a clear hierarchy of mandates, each achievable with instruments that don't interfere with progress towards other objectives. In the language of Marxist state theory, the structural tensions of the capitalist economy become inscribed at an institutional level where they manifest as policy conundrums, i.e. situations where an official response or action is required but where all available courses of action appear to have severe or even intolerable downsides.

The article draws on a content analysis of public documents from the Reserve Bank of Australia, the Australian Prudential Regulation Authority and Government Inquiries that discuss housing in relation to monetary policy. The analysis of these public documents has been supplemented by interviews with ex-Reserve Bank economists regarding their perceptions of the role of housing in the policy making decisions of the RBA, focusing primarily on the years between 2000 and 2023.

Following a brief prehistory of housing policy and financial governance from World War II until the neoliberal era, the article examines three periods in the evolution of the relationship between the RBA and the Australian housing market. The first period is the decade before the GFC which is typically seen as the high tide of inflation targeting. We show that the RBA kept a close eye on the housing market as it developed a series of positions meant to make that concern consistent with its inflation targeting mandate. By the end of the period, the housing market had come to be viewed as a key transmission channel monetary policy. However, the means/end distinction on which that conceptualisation rested was often difficult to maintain.

Then, following the onset of the GFC in 2008, the RBA made explicit use of its ability to affect household liquidity and demand through the

mortgage channel. During the next decade, it would try to return to a model of neutral, depoliticised inflation targeting, but its ability to do so was complicated by the fact that safeguarding financial stability was added to its mandate. The result was a series of policy shifts that led to a widespread perception that the RBA was at least partly in the business of managing asset price dynamics that did much to damage the RBA's reputation for independence and neutral expertise.

The third period began when attempts to address this problem were overtaken by the onset of the COVID-19 pandemic, during which the RBA was drafted into the government's response to the possibility of a severe recession and its operations explicitly politicised. Subsequently, Australia, like many other countries, experienced a resurgence of inflation. The Bank rapidly raised interest rates to curb inflation as it sought to restore an image of independent expertise immune from political interference. However, monetary policy was now working primarily through households' mortgage outlays, and the Bank was widely held responsible for exacerbating the 'cost-of-living' crisis. Despite the best efforts of present governor Michelle Bullock to project an aura of technocratic impartiality, the RBA's decisions remain highly publicised and politicised, viewed as involving a degree of discretion that the Bank is at pains to deny.

The RBA and the housing market before the GFC

Post-World War Two Australia achieved high rates of property ownership. Housing finance was insulated from broader monetary changes through interest rate caps, and savings banks and building societies were subject to portfolio restrictions to limit and direct the provision of credit. Mortgages for the purchase of rental properties were actively suppressed, treated as business loans at higher interest rates and for shorter duration than mortgages for owner occupation. Although financial regulations were designed to assist the house purchases of low-income earners, they kept mortgage finance relatively illiquid which resulted in rationing of funds as demand exceeded supply.

From the mid-1980s, following the recommendations of the 1981 Campbell Committee report (Australian Financial System Inquiry 1981), controls on the cost and distribution of mortgage finance were abandoned. Limits on savings banks deposit and mortgage interest rates were lifted, as were prescribed asset ratios and portfolio restrictions. From the late 1980s

and throughout the 1990s, households could access larger loans more easily as lenders aggressively extended new mortgage products. This rapidly increased property prices, generating significant capital gains for property owners while making it more difficult for lower-income households to enter the market. The *de facto* emphasis on investor-landlordism intensified as nominal interest rates fell and the taxation of capital gains from the sale of investment properties was halved in 1999.

As mortgage interest rates were deregulated and households took on larger loans relative to their wages, interest rate movements attracted greater attention. The public soon realised that monetary policy influenced whether mortgage repayments rose or fell, and whether the paper value of real estate was likely to appreciate or depreciate. However, the perception that the housing market had a privileged relationship to monetary policy was contested by official opinion and expertise. For every observation of the relationship between house prices and levels of mortgage debt, an expert could be found to reassure the public that household debt was only a means, not an objective, of macroeconomic management.

The RBA argued that falling interest rates had contributed to rising house prices only to the extent that Australians had *chosen* to use their increased borrowing power to purchase more expensive or better housing (Macfarlane 2002; Stevens 2007). This position aligned with the Great Moderation narrative (put forward in the early years of the 21st Century by future Federal Reserve chairman and Nobel Prize winner Ben Bernanke (Bernanke and Reinhart 2004)), which held that central banks' commitment to keeping inflation low had facilitated stable economic growth, and that it was not central banks' responsibility to actively manage asset prices. The RBA remained relatively unconcerned about rising house prices and increasing household debt – the key question on its mind was when a 'new equilibrium' would be reached, and at what levels of indebtedness the economy would settle on a 'long-run sustainable path' (Ellis 2005:5).

The public's perception of the relationship between interest rates and house prices became increasingly prominent during the house price boom of the early 2000s. When the RBA cut rates in 2001, the *Herald-Sun* called it a 'Win for Home owners', calculating that homeowners would save almost \$200 from their mortgage repayments and noting 'those who plough the savings back into their mortgage could pay off their house up to six years early' (Webber 2001). The rapid growth of house prices gave

rise to public concerns about affordability, which resonated with sentiments *inside* the RBA that had become concerned with the possibility that the rapidly rising household mortgage debt could have destabilising effects on the entire Australian economy (Stevens 2004).

When in 2002 the RBA started increasing rates, speculation was rife that it did so out of concern with the state of the property market. Media commentary regularly linked the cash rate increase to the overheated property market with headlines such as 'Home is where rate rise is' (Megalogenis 2002) and 'Hot property may tempt RBA to hike' (Marris and Grayson 2002). Addressing this public discourse in 2003 to the House of Representatives Standing Committee on Economics, Finance, and Public Administration, then governor of the RBA Ian Macfarlane acknowledged: 'It is clear that, despite our best endeavours to explain ourselves, a number of people think that the Bank tightened to cool down the property market' (Macfarlane 2003:11). He noted that the Bank had been accused of even more nefarious practices, namely 'of setting monetary policy in relation to the Sydney and Melbourne housing markets, and ignoring the rest of the country' (Macfarlane 2003:11). He vehemently assured the legislators that his institution was keenly aware of the danger of such practices: 'monetary policy has to be set taking into account the average of all the parts of the economy, not to what is happening in one sector' (Macfarlane 2003:11).

The public's perception nonetheless complicated the RBA's job in future years. The Bank responded with efforts to re-educate the public on its purportedly limited role and the purpose of monetary policy. Key to this narrative was framing monetary policy as a limited tool that can only address aggregate inflation and one that is inherently unsuitable for targeting developments in a specific sector. The RBA claimed that issues of housing affordability were best addressed by policy levers other than interest rates (Macfarlane 2002). It argued that 'house prices', not interest rates, were to blame for unaffordability, and that such prices were determined by a variety of factors on the demand and supply-side of the economy over which it could exercise no direct control (Macfarlane 2006). In particular, it pointed to the inelastic supply of housing as the cause of house price appreciation (Macfarlane 2006). Supply-side constraints have remained a mainstay in central bankers' explanations for why the public should not be looking to the RBA for solutions to housing affordability (Lowe 2016; Lowe 2017).

In a speech, Governor Macfarlane acknowledged the problem of housing affordability and emphasised that it was the responsibility of *other* parts of the government to fix it:

this situation [the large rises that have occurred over the past five years in house prices] is one that we at the Reserve Bank are not entirely comfortable with. While it may give home owners a happy feeling, we cannot help but also think of the people – mainly in the younger age groups – who aspire to own a home, but are finding it increasingly difficult to do so because rising prices are putting home ownership out of their reach. But since this is mainly a wealth distributional issue, rather than something that directly affects the economy's ability to continue its low-inflation economic expansion, it is not something that can or should be directly addressed by monetary policy. As always, monetary policy has to be directed towards how the average of the whole economy is evolving, not to what a particular sector is doing (Macfarlane 2002).

However, this stance tended to produce its own contradictions. To many observers it seemed that, if the RBA is indeed an apolitical institution, that should also mean being quiet about what other parts of the government should or should not be doing. Either the property market was relevant to monetary policy, in which case the Bank should manage the problem; or it wasn't, in which case the Bank should stay out of that discussion.

The problem with the RBA's position was compounded by the fact that it had difficulty convincing its *own* economists that the housing market was just one sector among others. They recognised that house prices and mortgage lending had begun to influence the macroeconomy more broadly, and that monetary policy makers needed to reckon with the gyrations of the Australian housing market. That approach is articulated in statements the RBA made to distance itself from responsibility for asset price inflation while also leaving room for the Bank to take asset prices into consideration. In 2004, then Deputy Governor Glenn Stevens reminded the public that 'asset prices per se should not be a target of monetary policy', while also conceding that asset prices are considered in central bank decision making 'for what they say about the likely evolution of the macroeconomy' (Stephens 2004).

To demarcate its responsibility, the Bank crafted a narrative that separated a concern for the price of housing from a concern with housing as an asset class. The former was outside its mandate; the latter was crucial to

financial stability and therefore within its mandate and purview. This was articulated by then deputy governor Stevens in June 2004:

we have been worried about the housing market as an asset market, and about the borrowing behaviour of participants in that market. The concern was not out of a desire to target house prices, but more over the potential risks to macroeconomic stability from a major boom – and possible bust – in the household sector's main asset class (Stevens 2004).

However, in the public's mind, there existed an obvious tension between the RBA's active concern with mortgaged real estate as a leveraged asset class on the one hand, and its insistence that issues of housing affordability were beyond its remit on the other. The distinction served as the intellectual rationalisation for the RBA's wish to influence housing markets to manage financial instability while continuing to deflect blame for housing unaffordability. For many homeowners, however, the claimed distinction was illusory – a contrived rationalisation to legitimate an incoherent position.

The RBA and homeowners from GFC to the COVID crisis

That the Australian public had reason to be suspicious became apparent with the onset of the GFC in 2008. The property market had increasingly come to serve as the key transmission channel for monetary policy. While the Bank never neglected to claim that influencing the market was a means and not an objective, the tidiness of that distinction broke down.

With the prospect of a severe recession looming, the RBA acted on its understanding of the role that mortgaged owner-occupiers and investors could play in maintaining aggregate demand. Through a steep reduction in the cash rate (from 7.25% in August 2008 to 3% in May 2009), the RBA relaxed the budget constraint on mortgaged households and injected liquidity into the economy. The RBA explained its thinking as follows:

An important channel for the transmission of monetary policy easing to economic growth is through reductions in interest rates paid by households on their housing loans. Lower interest rates on existing loans reduce households' interest payments, which increases the income available to indebted households who tend to have a higher propensity to consume. Lower rates on new loans also boost demand for dwellings, thereby supporting house prices and residential building activity (RBA 2009a).

The Bank thus explicitly centred the property-owning household as a driver of economic growth.

The RBA was aware that its policy leverage was in no small part due to the specific institutional structure of the Australian mortgage market: it attributed Australia's macroeconomic performance during the GFC to the high proportion of variable rate loans that directly expose Australian households to monetary policy decisions:

The responsiveness of household debt servicing to changes in central bank policy rates depends in part on the prevalence of variable rate loans. In Australia and the United Kingdom, where mortgage-related interest payments are a large share of debt servicing and home loans are predominantly extended on variable rate terms, the recent policy easings have significantly lowered household debt servicing [...] However, in countries such as the United States where mortgages are mainly at long-term fixed rates, household debt servicing has fallen by relatively little (RBA 2009b).

During the response to the GFC, the narrative that had been crafted during previous years – that the property market was beyond the remit of the RBA – fell by the wayside.

In the wake of the GFC, governments around the world moved to shore up financial supervision, including of mortgage markets (where the instability had originated). In Australia, a financial stability mandate was written into the 2010 agreement between the RBA and the government (RBA 2010). It stated that ‘without compromising the price stability objective, the Reserve Bank seeks to use its powers where appropriate to promote the stability of the Australian financial system.’ Previous agreements had stipulated the RBA’s responsibility for ‘the economic prosperity and welfare of the people of Australia’ but had not included a specific mandate for financial market stability (RBA 2007). The 2010 financial stability mandate allowed the RBA to explicitly address asset price inflation for the first time.

Australian house prices remained relatively stable during the GFC and began to increase again soon after. This led to mounting concern within the Bank about the potential development of a speculative housing bubble. During the next decade, and particularly from 2014 to 2019, the RBA held interest rates high for longer than conventional modelling indicated it should, repeatedly choosing to keep inflation below target to dampen fluctuating asset prices.

The RBA justified this stance with reference to a ‘medium term’ inflation target which implied a mandate for making decisions that could mean keeping inflation outside the target range of 2-3% for some time. Philip Lowe articulated the challenge his institution faced as follows:

With household debt as a share of household income already at a record high, is it really in the national interest to get a little bit more employment growth in the short run at the expense of creating vulnerabilities which could become quite dangerous in the medium term? I accept that different people will come to different points on judging that trade-off. At the moment, I think we are in a reasonable place, because the unemployment rate is broadly steady and household debt and house price growth at the aggregate level are fast enough. I feel that, if they were even faster at the moment, we would be moving into the area where the vulnerabilities are increasing perhaps to unacceptable levels. We will keep those two balancing on track (Lowe 2017).

As the RBA’s position became increasingly difficult, it turned to the Australian Prudential Regulation Authority (APRA) to slow the growth of riskier mortgage products. Between 2014 and 2018, APRA imposed limits on the growth in total lending to investors and of new high-debt-to-income and high loan-to-value loans (RBA 2018; APRA 2019). The composition of lending changed as banks shifted away from investors and towards owner-occupiers and first-home purchasers. Despite these measures being explicitly targeted at ‘lending practices’ and financial stability, and not ‘house prices or matters of affordability’ (APRA 2021; Falinsky 2022: 129), APRA’s increased prudential regulation effectively slowed and then reversed house price growth. With its hands untied, the RBA lowered the cash rate in line with orthodox inflation targeting principles.

When asked about the sequence of policies leading up to this institutional solution, ex-RBA economists noted the extent to which the Bank’s policies went against its own macroeconomic models. Put provocatively by one former RBA economist, ‘I think honestly, it [housing] paralyses them, and it causes them to make mistakes. So you can argue that the 2015 to 2019 period, you know, there were policy mistakes that were made specifically because they were looking at the housing market too much’. In describing this period, this same economist noted how the RBA’s modelling suggested that it should be cutting interest rates and that its decision to hold steady contradicted its internal research:

So a, a model which the RBA uses, you know they developed they use themselves, was calling for lower interest rates and clearly the outcomes that we were, we were seeing at that time were below what the RBA states their intention is, you know, inflation was below 2%, unemployment was drifting sideways or up during that period. So you know, the standard reaction we would expect it to have was, was policy rates to be lower and, like I say, this well publicized research says, like even in their own model, it says it should have been.

Another former RBA economist characterised that same period as dominated by internal debates about the relative weight the Bank should give to financial stability compared to inflation targeting. This economist described it as follows:

a period where the RBA had inflation below target persistently and unemployment above the, the Bank's estimates of the, the natural rate of unemployment, and so, looking purely on macroeconomic grounds, they would have been, there was a strong case for a more accommodative monetary policy, so lower interest rates. But the, the bank decided to hold the cash rate constant at one, I think it was one and a half percent for several years and so the interpretation was, the bank was putting weight, was doing that by putting weight on its financial stability objectives.

Fraught attempts to return to normal

When, in 2020, the COVID-19 pandemic broke out, the claims to institutional independence that the RBA had built up during the previous years were summarily sidelined as the RBA was drafted into a monetary-fiscal policy mix coordinated to prevent the Australian economy from flatlining. Both the RBA and the government were cognisant of the direct impact that interest rate changes have on household balance sheets and the fact that the disposable income of mortgaged homeowners and investors is largely determined by the size of their mortgage repayments (Konings *et al.* 2021). Even more than during the GFC, the pandemic revealed house prices and household budgets to be crucial levers of macroeconomic management (Lowe 2020). The RBA referred to the strong recovery in the housing market as 'build[ing] a bridge' to the other side of the pandemic (Bullock 2021).

As the acute phase of the pandemic passed, the RBA sought to return to its core mission of inflation targeting. Efforts to re-affirm the policy

independence of the RBA took on added significance when inflation surged in mid-2021. Re-adopting its earlier position that house prices remained outside its remit, Governor Phillip Lowe asserted that ‘the RBA does not – and should not – target housing prices’ (Lowe 2021).

However, monetary tightening was now fully bound up with the Bank’s ability to take liquidity out of household budgets through the mortgage debt channel. In February 2022, Lowe emphasised how the high level of household debt would ‘make the tightening of monetary policy more effective’ (Lowe 2022). The effects of interest rate rises were thus conceptualised in technical terms of the interaction of macroeconomic variables. But in a question-and-answer session in April 2023, Lowe acknowledged that the RBA’s use of heavily mortgaged household budgets as a brake against inflation represented an ‘uncomfortable truth’:

Part of the other uncomfortable truth here: we needed growth in aggregate demand to slow. It was growing too quickly relative to the ability of the economy to produce goods and services. And, if we’d allowed that situation to continue, inflation wasn’t going to come down. So the higher interest rates in a high-debt environment is the mechanism through which spending slows (Lowe 2023b).

The distributional aspect of monetary policy had become impossible to ignore. To the home owning public, it was of little comfort or relevance that in the RBA’s mind it was just a means to the end of controlling consumer price inflation. The high concentration of variable rate mortgages among Australian households bolstered the efficacy of monetary policy, but it also exposed the Bank’s decisions to a level of popular scrutiny that increasingly constrained its ability to formulate policy autonomously.

At the start of the pandemic, Lowe had tried to support the government’s recession-fighting efforts by reassuring the public that interest rates would remain low until 2024. This was in keeping with the practice of ‘forward guidance’, which, during the decade following the GFC, had emerged as an important technique for central bankers to stabilise market expectations. But, with inflation surging, he found himself with little choice but to join central banks everywhere in quickly raising them. For many mortgage holders, this translated into hundreds of dollars per week being added to their repayments. That the policy shift was comparable to a sudden and dramatic increase in taxation was reflected in media reports that cited not the level of the ‘cash rate’, but the number of dollars that would be sucked out of median households’ budgets.

The Australian public's sense of betrayal was intense and the outcry enormous. The tabloid the *Daily Mail*, not normally in the business of covering economic policy, ran headlines like 'How Philip Lowe MISLED Australia: Nation's top banker made a series of blunders and vowed to keep mortgage payments low – while enjoying his own very luxurious lifestyle' (Johnson 2022). Australians had taken guidance for their borrowing and spending decisions from public officials like Lowe. Many borrowers, especially those who purchased at the peak of the market, were heavily penalised for having done so.

The RBA was cognisant of the unequal impact of its policies. In an August appearance before government, Lowe specifically identified young borrowers who had taken out mortgages earlier on during the pandemic as most severely impacted by interest rate rises compared to older households (Lowe 2023c). There was more, however, to these concerns than ethical misgivings. Even when assessed on its own technical terms, the strategy of slowing demand by manipulating households' mortgage outlays did not work without significant friction. Bringing down inflation was increasingly complicated by the disparities of housing wealth that the previous decades had generated. Many older households who have little or no mortgage debt and very substantial wealth in the form of property and/or equity greatly benefited from the interest rate increases and *increased* their consumer spending (CommbankIQ 2023), creating further inflationary pressure that needed counteracting. Thus, the RBA seemingly needed to inflict more pain on young, illiquid and highly indebted households just to compensate for the spending habits of cash-rich, wealthy households.¹

The unevenness of property wealth that had grown during the previous decades was manifesting as a condition that directly interfered with the operation of the transmission channel. When, during the previous decade, mainstream economists had reached for complex technical explanations to account for the difficulties that monetary policy was experiencing in getting the economy out of its deflated state and to perform at its full growth potential, heterodox authors – led by Thomas Piketty (2014) – had already pointed out that many of these problems were bound up with an

¹ Borrowers from the lowest income quartile devote about a third of their incomes to mortgage payments whereas the upper quartile of borrowers pay a mere five percent of their income (Jones 2023).

increasingly unequal distribution of wealth that had political origins and could only be addressed through government intervention. The way that wealth inequality was now making itself felt at the most basic level of monetary policy conduct expressed the growing difficulty of keeping politics out of monetary policy. No longer was wealth inequality a purely distributional issue that the RBA could hope to pass to the politicians; instead, it had direct implications for the conduct of monetary policy.

Ahead of the 2022 federal election, the main political parties agreed that the next government would initiate an independent, comprehensive expert-led review of the role and operation of the RBA. The findings of the review (Australian Government 2023) were unsurprising: the Australian government needed to maintain the RBA's independence, and the RBA needed to recommit to inflation-targeting and ignore political pressures, pundits and favour-seekers. Lowe did several rounds of *mea culpa*, expressing regret that he had waded into politicians' territory. But the damage done by broken promises is not easily restored, and he was unable to save his own job.

The new governor, Michelle Bullock, used the review as a platform for a reset, yet it does not appear that the RBA will soon cease to be the focus of public attention. When Bullock hinted that the Labor government's public spending could be contributing to above-target-inflation, government ministers shot back saying that the Bank should consider itself 'independent' but not 'immune' (Crowe 2024). Nor have politicians been able to resist the temptation to intervene. Treasurer Chalmers only recently complained that the RBA's high rates are 'smashing the economy' (Evans 2024), maintaining the highly politicised atmosphere that the Bank has been so eager to leave behind. The newspaper *The Australian* raised the question explicitly: 'Who does the RBA serve?'.² However, the failure of the RBA to stick strictly and mechanically to its core mandate is not the fault of its officers saying the wrong things when under pressure. It should, rather, be attributed to problems embedded in the basic operations of monetary policy by the growing and unequally distributed weight of housing assets and mortgage debt.

² See: <https://www.theaustralian.com.au/commentary/letters/who-does-the-rba-serve/news-story/0c09a51265720709c3198b0601a81bb>.

Conclusion

In the neoliberal model of central banking, central banks should be independent – not serving any other group or agency but simply the general interest in a stable economic system. That model experienced its heyday during the period of the ‘Great Moderation’. But following the GFC, when central banks everywhere pursued ‘exceptional’ policies to stabilise financial markets and were then drafted into the government response to the Covid crisis, their operations increasingly appeared to be politically shaped and distributionally consequential. That has politicised the role of central banks: too many groups in society don’t accept the idea that the RBA’s operations are ‘neutral’.

The Bank has at times been highly cognisant of that perception; and it invests considerable energy and resources into trying to understand the dynamics at play and to adopt better communication strategies and impression management. However, the public’s concern is usually not with the Bank’s reasons or intentions, however earnestly held, but with pocketbook outcomes. For this reason, the Bank’s efforts to actively manage the problem often have not worked; they have, rather, tended to drag it deeper into terrain it is eager to avoid. What the RBA intends as a depoliticising move may not appear as such to a general public more inclined to view it as yet another discretionary decision that privileges the portfolios of some people over others. A straightforward return to ‘normal’ is therefore unlikely to materialise.

Frustrated by the RBA’s commitment to fighting inflation by keeping interest rates high, Treasurer Jim Chalmers has on occasion threatened to use fiscal policy to undo the effects of tight monetary policy on household budgets. More recently, the minority Greens Party has demanded that the Treasurer force the RBA to lower interest rates to support mortgage holders (Greens 2024). Greens Senator Nick McKim claimed that ‘The Reserve Bank Board are not infallible high priests of the economy who are above criticism’ (Greens 2024). The prospect of political influence over the RBA’s decisions is sufficiently real that the RBA review recommended formally taking the constitutional power to veto any central bank decision out of the hands of the Treasurer. How these tensions will play out remains to be seen; but one cannot understand the forces at work unless one recognises how the Bank’s policies are bound up with the mortgage market and household budgets.

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THE ROCKY ROAD TO NET ZERO: CONFLICT AND CONTESTATION IN CREATING A GAS-FREE VICTORIA

Jim Crosthwaite, Elke Pirlmaier and Kate Bayliss

There is little dispute about the need to urgently reduce the use of fossil (a.k.a. ‘natural’) gas, as part of the global effort to address human contributions to climate change. Researchers have established that human wellbeing and the satisfaction of basic needs do not require dependence on fossil fuels, and that a good life for all is possible while remaining within planetary boundaries (Millward-Hopkins *et al.* 2020; O’Neill *et al.* 2018). Yet this is not happening in practice. No country is ‘even close to achieving sufficient need satisfaction within sustainable levels of energy use’ (Vogel *et al.* 2021:12).

This article focuses on the situation in the Australian state of Victoria. Climate campaigners there, as elsewhere, want gas use to be rapidly reduced through regulation and greater investment in electrification and energy performance (Pears 2023). But fossil gas companies continue to invest and profit by selling gas to Victorian and other markets, and fears of gas shortages for winter heating are repeatedly stoked. The climate impacts of such investments are significant, not least because methane (CH_4) emissions from leakage across production, supply and use have 80+ times the global warming potential of carbon dioxide (CO_2) over a 20-year period (IEA 2024). Each delayed or rejected investment in fossil fuels thus reduces the cumulative emissions years into the future (a point repeatedly made by online science writer Ketan Joshi). The Victorian Government, alongside being a world-leader in efforts to reduce consumption, actively supports the gas industry.

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Seeking to unpack the different interests involved, this article draws on the Systems of Provision (SoP) approach in modern political economy (Chang 2022). Taking consumption as the end point in a chain of provisioning enables deeper understanding of how the energy system is shaped by interested parties. Household gas consumption can be understood as part of a system of provision dominated by corporations, enmeshed in circuits of global capital and enabled by state actors who are driven by geopolitical and domestic political interests. Concerns about energy scarcity and supply security, commonly presented as reasons to increase or at least maintain gas production are widely seen as linked directly to the creation of gas markets, now connected globally via gas exports. Revealing such dynamics shows how processes that create immense wealth for gas companies continue, despite being far removed from the goal of living within planetary boundaries.

This article begins by providing background to Victorian gas consumption. The following section explains the SoP approach, leading into a review of the main agents involved in the supply of gas and consideration of the multi-faceted role played by the state.¹ Attention then turns to ideological narratives around the importance of fossil gas to Victoria. The concluding section suggests how a SoP analysis like this may help to strengthen existing challenges to the currently unsustainable system.

Overview of the Victorian gas system

While household consumption is the largest use of gas, and is the focus for efforts to reduce demand, the gas system is larger. Over 80 petajoules (PJ), or about one-third of gas produced in Victoria, is exported to other states. Approximately 200PJ per year is used within the state – households and small commercial users (over 60%), industrial and large commercial use (30%) and electricity generation (under 10%) (Infrastructure Victoria 2022).

Available supply is now rapidly diminishing. Expecting their gas fields to last about 50 years, in 1969, BHP and ExxonMobil began piping gas from the Longford production plant to Melbourne, Victoria's coastal capital city,

¹ Throughout this article, the state refers to all Australian arms of government including statutory authorities, not just the State of Victoria.

along the Longford to Melbourne (LMP) pipeline (Figure 2). The gas fields were directly offshore from Longford in Bass Strait, which separates the mainland from Tasmania. The companies had a captive market as regulations required all new dwellings to be connected to gas and Melbourne's population doubled in size to over 5 million in 2023. Gas distribution and retailing was publicly owned from 1950 until the 1990s when all gas and electricity provision was privatised. Initially the gas market was isolated to Victoria. Privatisation created incentives for gas companies to expand the pipeline network interstate to New South Wales, Tasmania and South Australia between 1996 and 2004. Later pipeline connections into Queensland linked Victoria to international markets via three huge export liquefied natural gas (LNG) terminals. These terminals were opened in 2015 to export gas from onshore fields in Queensland.

As east coast energy markets were developing, Victoria passed most responsibility for 'managing' its gas and electricity system to national energy authorities. One of these authorities manages the Declared Wholesale Gas Market (DWGM), which is unique to Victoria.

Despite huge exports, concerns about possible shortages of gas led to government inquiries beginning in 2017 (ACCC 2024). Demand reduction possibilities were largely absent from official reports until Victoria's *Gas Substitution Roadmap* in 2022 (Victorian Government 2024). The gas industry began lobbying for more supply to domestic markets. The supply proposals have included: new infrastructure to import LNG into Victoria and NSW; new gas fields onshore and offshore in Victoria; expanded capacity to pipe gas from interstate; and blending hydrogen and other gases to the gas mix. Energy authorities are planning around these options (AEMO 2025; GHD 2025). There is an inherent contradiction because, within 15 years, gas use in Australia is expected to be very small, primarily used as a back-up for renewables in electricity generation, and to support an expected doubling of electricity consumption to over 400TWh (AEMO 2024a:25-30).

Finding an adequate research approach

The impact of commodity production on earth systems has been of concern to some economists since Kenneth Boulding's seminal article, *The Economics of the Coming Spaceship Earth* (Boulding 1966). In resource economics and environmental economics, the problem is treated as market

failure leading to ‘externalities’ that need to be addressed by altering market signals. This approach to identifying and monetising benefits and costs, including intangible non-market ones (Nordhaus 2019), is now foundational in Australian government policy and public administration (Dobes *et al.* 2016; Australia. Office of Best Practice Regulation 2020).

Much is missing, however, in this supposedly neutral, technocratic approach. Reducing gas consumption impacts a host of different agents and there are winners and losers. Energy is a derived demand, consumed for what it enables (warmth, light and so on) rather than for its intrinsic values. Hence, to understand consumption levels requires attention to the provisioning systems that act as ‘intermediaries between need satisfaction and energy use’ (Vogel *et al.* 2021:11). Energy use is thus driven by a range of factors including lock-in and escalation of need satisfiers that leads to over-production and over-consumption (Brand-Correa *et al.* 2020; and citations in Vogel *et al.* 2021).

Boulding’s article (and later work by Daly 1974) underpinned the development of ecological economics (Victor 2015) and is the forerunner of the concept of a circular economy (Ekins *et al.* 2019). However, corporate power is either ignored (Raworth 2017), vaguely defined (Ekins *et al.* 2019:38-46) or alluded to only in making policy proposals (Ekins *et al.* 2019:47-52). Only a small number of researchers within ecological economics are facing up to these ‘difficult’ questions (for example: Pirgmaier 2021; Martinez-Alier and Muradian 2015). Similarly, in consumption studies, corporate power features in only limited research (Ropke 2005). This is inadequate when, across the world, gas and electricity systems are typically dominated by a handful of global companies.

The Systems of Provision (SoP) approach to political economy can help to overcome these limitations. It was originally developed by Fine and Leopold (1993), scholars in the Marxist tradition who were concerned about the shallowness of consumption studies. The SoP approach challenges the mainstream economics assumption that consumption results from given individual preferences whose origin and evolution are supposedly beyond the proper scope of economics. The SoP approach began with the study of consumer durables and then moved onto food systems (Fine 1994) and to wider applications, such as the provision of water, energy and buses (Bayliss *et al.* 2021), housing (Robertson 2017),

rail transport (Haines-Doran 2022), energy systems (Bayliss and Pollen 2021), and car dependency (Mattioli *et al.* 2020).

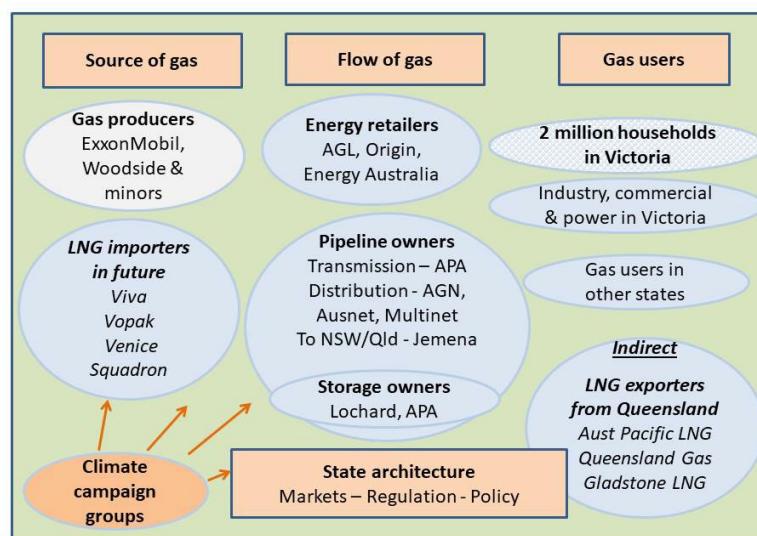
Using a SOP framework helps to show that the interests of each agent may be in partial or substantial conflict, causing the system to be contested rather than mutually beneficial and harmonious as presupposed within neoclassical economics. The different interests of each of the agents are seen as emerging within context-specific, historically evolved structures and processes. The agents themselves vary in their perceptions of the SoP, and have different abilities to shape it and its surrounding cultures (Fine *et al.* 2018; Bayliss and Fine 2020). Indeed, the material culture of the commodity in question may be so deeply embedded that it is seen as ‘common sense’ or not even observed. By explicitly considering these aspects, the SoP approach can highlight the narratives that perpetuate the status quo and limit action to curb consumption, thereby contributing to the discourses on climate delay (Lamb *et al.* 2020).

Developing a qualitative analysis of the SoP for gas in Victoria, this article draws on the first author’s research and continued involvement in the fossil gas arena since 2018, including briefing MPs and ministerial advisors, participating in public inquiries, and writing submissions and articles. It also draws on advice from and collaboration with industry experts in the *Gas Free Victoria* network, many of whom have been employed in key sectors – gas production, gas distribution, energy market operation, energy finance and energy justice. Information from government and industry sources and analyses by independent experts is also used.

Contestations and contradictions among agents

Understanding a system of provision requires primary attention to the interests of the agents involved. For the gas system, we need to examine how the interests vary from producer to retailer, and how these interests conflict with those of households. Figure 1 shows the major agents in the SoP, with producers on the left, consumers on the right and the intermediaries in between. Setting aside the other agents who influence household consumption, such as appliance retailers, plumbers/installers and builders, we can begin by looking at the gas consumers, in particular households, where the contestation over narratives about the future of gas use is fiercest and where the near-term potential for demand reductions is greatest.

Figure 1: The system of provision for gas production and consumption in Victoria



Gas consumers in Victoria

Households have little direct influence over the SoP, although gas use is falling year by year through their individual actions to install solar panels and electrify appliances. Over two million households, nearly 90% of the total, are connected to gas (Sustainability Victoria 2023). Demand is three times as high in winter as in summer, and gas use is dramatically higher on very cold days when over 1,000 TJ (terajoules) can be required primarily for space heating (Infrastructure Victoria 2022). An estimated 75% of gas is used for heating, 23% for heating hot water, and about 2% for cooking (Northmore Gordon 2020).

Many houses are poorly insulated, draughty and energy inefficient (Sustainability Victoria 2023). New homes have faced increasingly tighter standards of energy efficiency, especially since 2005, but two thirds of the 2.8 million dwellings were built before then. The potential for reducing

gas use is far greater in old housing stock than in relatively new houses (Pears 2022). Just three changes would reduce Victoria's winter gas use by 30% (63 petajoules) – improving building insulation, replacing old, ducted gas systems with reverse cycle air conditioners (heat pumps), and encouraging the use of *existing* air conditioners for heating as well as cooling (Northmore Gordon 2020).

The lifetime savings of electrification are significant; and crucially, even incredibly, the payback periods in all cases are now under 12 months for Victorian households (Environment Victoria 2024a). However, high up-front costs mean that replacing gas appliances is likely to be staged over years rather than months, even in homes owned by passionate advocates of changing (Forcey 2024). A lack of credible and easily accessible information about appliance choices, suppliers and installers contributes to the significant barriers faced by low-income households (Chandrashekeran *et al.* 2024).

Energy retailers

Households articulate with the SoP mainly through their interactions with energy retail companies that sell energy, rather than gas *per se*. Four companies and their subsidiaries (AGL, Energy Australia, Origin Energy and Snowy Hydro) supply 80% of residential gas customers in Victoria (Table 1) (AER 2024:275). These 'gentailers' also own ageing coal generators and/or gas-fired generators that provide huge profits during periods of peak demand. Financial interests have key interests in the dominant companies (see Table 1), although Snowy Hydro is fully owned by the Australian Government.

Large companies retailing less energy include UK-based OVO Energy, Shell through Powershop, and retailing group Kogan. In total, about 30 companies retail energy in Victoria. Market authorities have striven to increase 'choice', but households tend not to switch providers (ESC 2021).

The big gentailers are capitalising on their relationship with households by offering to help customers electrify their homes and to manage household energy use and storage. Non-energy retailers with a strong customer base, like Bunnings, Tesla and Telstra, are doing the same. These companies will take advantage of the large sums already invested by households in solar panels and electric appliances (Kuiper 2024), and they have little incentive to reduce household energy consumption.

Table 1: Energy retailers in Victoria, by residential customers, June 2025

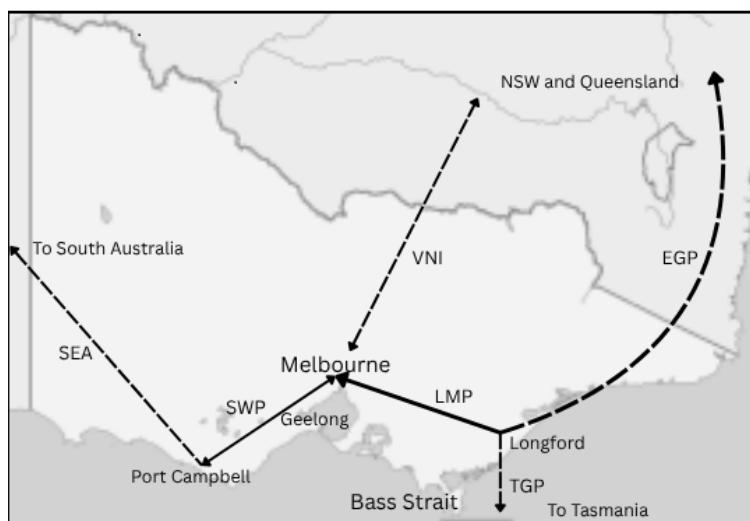
Retailer	Residential gas customers		Residential electricity customers		Owner and shareholdings
	Number of meters	%	Number of meters	%	
AGL	569,371	26	690,591	24	ASX-listed – HSBC (26%), JP Morgan (14%), Citicorp 9%. Billionaire climate activist Mike Cannon-Brooks controls 11% of voting shares (Market Index 2025a).
Energy Australia	377,179	17	441,392	15	CLP Group (Hong Kong)
Origin	348,932	16	517,094	18	ASX-listed – JP Morgan (33%), HSBC (27%), Citicorp (9%). Australian Super controls 16.5% of voting shares (Market Index 2025b).
Red Energy	166,795	8	217,858	8	Snowy Hydro (Australian Government)
Lumo Energy	120,954	6	162,136	6	Snowy Hydro
All others	612,762	28	854,740	30	
Total	2,195,993	100	2,873,812	100	

Source: ESC (2025).

Gas pipeline owners

Pipeline owners, including powerful global financial interests, have a strong interest in continued gas use because pipelines can only be repurposed for other gases. Regulated pipelines across eastern Australia made \$1.8 billion over eight years in supernormal profits, on top of the \$2 billion assessed as reasonable by regulators (Gordon 2024).

Figure 2: Key Victorian Transmission System and interstate pipelines (with direction of gas flow)



The Victorian Transmission System (VTS), with 1,900 kilometres of high-pressure transmission pipes, is owned by APA, including the high capacity LMP pipeline (Figure 2, Table 2). Gas retailers and other participants in regulated markets pay a carriage services levy for each gigajoule of gas at both injection and withdrawal points on the VTS. In other states, markets are based on bilateral arrangements (AEMO 2024b).

Table 2: High pressure pipelines

Pipeline	Capacity TJ/day	Fully regulated	Owner
LMP	1,160	Yes	APA Group. ASX-listed – HSBC (26%), JP Morgan (11%), BNP Paribas (9%), Citicorp (7%). Substantial shareholdings giving control of voting rights are: 10% with UniSuper and 40% split between Vanguard, State Street, Blackrock and Franklin Resources (Market Index 2025c).
VNI	218	Yes	APA Group
EGP to NSW	350	No	Jemena (State Grid Corporation of China 60%; Singapore Power 40%)
SEA to Adelaide	251	No	50% divided between APA Group and Retail Employees Superannuation Trust
TGP to Hobart	129	No	Palisade Investment Partners

Source: AER (2024c). *Note:* VNI reverse capacity is 224TJ/day.

Three regional monopolies own 30,000 kilometres of smaller distribution pipelines, drawing gas from the VTS and supplying households and most businesses. Owners are funded from fixed charges that households pay to retailers. Ausnet is owned by fund manager Brookfield and superannuation fund Australian Retirement Trust. AGN and Multinet are controlled by Hong Kong based CK Group (Foote 2022), through Australian Gas Infrastructure Group.

The Eastern Gas Pipeline (EGP) (see Figure 2, Table 2) was the first interstate pipeline, initiated by BHP to sell ('export') Bass Strait gas to NSW (Cutler and Farrar 1996). The EGP remains crucial to the export of gas by ExxonMobil and Woodside. The SEA and TGP take gas to South Australia and Tasmania (Figure 2).

Gas comes *into* Victoria from northern states through the bi-directional Victoria Northern Interconnect (VNI) (Figure 2) owned by APA. Jemena is installing bi-directional valves in the EGP enabling additional flows to Victoria.

Gas storage owners

Owners of the two gas storages in Victoria profit from the sale of capacity rights in their facility and so have an interest in maintaining gas use at a high level. As major gas fields decline, Victoria will rely more heavily on these storages, leading the State to support their expansion (Victorian Government 2024).

A LNG gas storage facility, owned by APA, is located at Dandenong, a suburb of Melbourne (Figure 2). Through rapid injections of gas, the facility can meet over 20% of requirements on a peak demand day in winter. The much larger underground Iona gas storage in south-west Victoria can supply 10% of annual consumption in Victoria from gas stored in its depleted gas wells (Figure 2). It is owned by Lochard Energy, and ultimately the Queensland Government through QIC, which globally has over \$110b in assets under management (QIC 2024). Iona storage capacity is expanding, partly based on a 25-year agreement with Snowy Hydro to store gas for its gas-fired power stations.

Gas producers

Problematically, while supply from Bass Strait gas fields is in decline, producers have been unimpeded in piping large quantities out of the state (Robertson 2022). Woodside is now operational manager of the gas fields, co-owned with Exxon-Mobil, and the production facilities at Longford (Figure 2) which have recently been upgraded to handle poorer quality gas. Impacting on available supply for Melbourne, closure of one of the three Longford processing plants is imminent, and a second closure is expected by 2030, reducing total capacity by 40% (AEMO 2024b). Mid-tier Australian-based companies Beach Energy and Cooper Energy are also extracting and processing gas from off the coast of Victoria. Origin Energy could also supply gas from its proposed inland Narrabri gas field in NSW. Planning is difficult for authorities as the major producers have a history

of sowing doubt about the adequacy of their gas reserves and intentions (Forcey 2020).

ConocoPhillips engaged international specialist companies, Schlumberger-SLB and TGS, to search for gas off the coast of south-west Victoria, though the size of potential fields and profitability are in doubt (MacDonald-Smith 2024). Indigenous and community groups are fiercely opposed, not least because plans for seismic blasting, at up to 250 decibels, will affect whales in their migratory pathways (Friends of the Earth Melbourne 2023).

Players in global markets

Australia is one of the world's top three exporters of LNG, most coming from Western Australia but also from the Northern Territory and Queensland. In 2024, LNG exports accounted for 4,508PJ, use in LNG production 361PJ, leaving 930PJ for domestic consumption (IEEFA n.d.). The exporters directly or indirectly control nearly 90% of the proven and probable gas reserves in Australia (Robertson 2022). One factor enabling this control was the creation of the east coast gas market linked by interstate pipelines. Australia Pacific LNG, Queensland Gas Company and Gladstone LNG each have their own LNG terminal at Gladstone in Queensland. Major investors in these terminals include ConocoPhillips, Sinopec, Shell, PETRONAS, Total and KOGAS. Origin and Santos are also important Australian-based co-owners with significant assets elsewhere in Australian gas.

The influence of the exporters stems from direct control of available gas, but also their joint ventures, joint marketing, and exclusivity provisions in contracts with buyers (ACCC 2024). Nearly all the gas exported from Australia is sold under long-term fixed contracts, leaving just 10% 'uncontracted' and potentially available to supply the east coast market. LNG exporters may vary the quantity exported using flexibility clauses in their long-term contracts and by either buying or selling gas domestically to take advantage of price movements (ACCC 2024). This contributes to concerns about gas prices and the security of supply to the domestic market, especially in the southeast of Australia.

These companies avoid responsibility for emissions once the LNG is sold (Scope 3 emissions), and do not even have to report emissions to the Clean Energy Regulator (2024). Burning of exported fossil fuels also does not

count against Australia under international carbon accounting rules for Scope 3 emissions – only Scope 1 and 2 count (Morton 2023).

Potential LNG importers

Claimed gas shortages have created the opportunity to sell high-priced gas into Victoria using leased Floating Storage and Regasification Units (FSRUs). Each can supply up to 100 PJ of gas annually, or 50% of Victorian consumption, and up to 350TJ per day. They will command high prices during peak demand periods.

Squadron Energy is planning to supply gas to Victoria via the EGP pipeline, as early as 2027, from its now completed terminal at Port Kembla, south of Sydney. Squadron is ultimately owned by Twigg Forrest, renewables-loving mining billionaire (Cooper and Mathieson 2023).

Viva Energy, ASX listed and 30% owned by global oil trader Vitol, now has approval for a terminal adjacent to its petroleum refinery at Geelong (Figure 2). The terminal could be operating in 2028 if Viva proceeds. A 2021 Memorandum of Understanding gives Woodside capacity rights to use the FSRU and hence additional influence in the Victorian gas market. Viva has faced widespread community opposition. Other gas industry interests are threatened. Iona storage would have reduced access to the SEA pipeline, while use of APA's VNI pipeline would fall.

Less likely, a South Australian terminal, proposed by Venice Energy and strongly supported by the SA Government, could also supply Victoria. South Australia is a world leader in renewable energy, with 70% of its electricity coming from variable renewable sources, with gas-powered generation seen by the Government as a vital backup.

Finally, if Viva does not proceed, Vopak may moor a FSRU offshore near Avalon, between Melbourne and Geelong (Figure 2). Environmental plans were lodged with the Victorian Government in 2022. Vopak operates LNG storages and import terminals globally.

Agents within the state

With conflicting mandates and pressures, state agents often have an inconsistent and contradictory approach to the role of fossil fuels. Within

and across jurisdictions, the state is in effect an ‘arena of struggle’ (Stilwell 1997). There are many dimensions to the state’s involvement in the SoP. We firstly examine the Victorian government’s policies and governance, and then the responsibilities that it has transferred by legislation to national bodies. Finally, we examine the position of the national government.

At the broadest level, governments set energy policy, are responsible for regulation, and use budgets funded through taxation and borrowings to influence energy investments. They also provide the legal framework under which markets operate and, since the 1990s, have collaborated to directly create energy markets. Since then, conceiving of the gas system as a market has become central to how state actors understand their involvement.

Victorian Government

The 2022 Victorian *Gas Substitution Roadmap* was arguably a policy imperative in response to the anticipated fall in gas supplies available to Victoria. Until then, the place of gas was rarely questioned in electoral and parliamentary contests over energy provision. Victoria’s Minister for Energy, Lily D’Ambrosio, is now a central figure in these contests. In a foreword to the *Roadmap*, she wrote that gas is ‘getting too expensive, because Victorians are at the mercy of private companies exporting gas overseas, which has a real impact on the cost to Victorians at home’ (Victorian Government 2024).

Regulations now ban gas connections to new houses and, from 2027, landlords will be required to replace gas hot water services with energy efficient electric systems at end of life and install insulation when leases change. A major program, Victorian Energy Upgrades (VEU), requires large retailers of fossil fuels to buy credits that fund household energy efficiency and electrification. Advice and links to electric appliance installers are now available to households via a trusted ‘one-stop shop’ (Premier of Victoria 2025), while in 2025 the Government has also begun generating and retailing electricity (SEC 2025).

Yet, while focused on reduction of gas use, the Minister for Energy is simultaneously actively participating in national initiatives to secure gas supplies, expand pipeline and storage capacity, and allow hydrogen to be added to the gas mix. These actions, identified in the *Roadmap*, are also agreed actions of the national Energy and Climate Change Ministerial

Council (ECMC 2024a), of which she is an active member representing Victoria. In its own ventures, Victoria is also exploring opportunities for onshore and offshore carbon capture and storage (DJSIR Victoria 2024) and use of the vast resources of brown coal in the coal mining region of Latrobe Valley for generating and shipping hydrogen to Japan (Environment Victoria 2024b). All these supply-boosting initiatives are vigorously contested by the environmental movement.

Energy market authorities and regulators

The role of markets was cemented when Australia's east coast State governments agreed in the 1990s to create the National Energy Market, of which the gas system is now one part. The Australian Energy Market Commission (AEMC 2024) sets the rules of the markets. The Australian Energy Regulator (AER) regulates and monitors performance of the owners of gas pipelines and electricity networks, as well as wholesale and retail markets (AER 2023). Expenditure on regulated pipelines is set through five-yearly Access Arrangements, which also govern the highly contested rate at which regulated companies can depreciate their assets (AER 2021).

The Australian Energy Market Operator (AEMO), owned 40% by industry and 60% by state governments, has managed the trading system in Victoria, known as the DWGM since 2009. AEMO can intervene with directions to market participants or through its own trading of gas, if supply is falling short.

The Australian Competition and Consumer Commission (ACCC) was given powers in 2023 under a Gas Market Code to ensure producers deliver gas at reasonable prices (ACCC 2024). The ACCC has been running an ongoing inquiry into the gas market since 2017 and has repeatedly issued warnings about lack of transparency and abuse of power (ACCC 2024).

The Victoria's Essential Services Commission licences gas businesses and monitors competition between retailers (ESC 2021, 2025). Mandatory codes of practice for retailers cover matters such as customer contracts, payment difficulties, and content of bills. Codes for distributors cover matters such as connection, disconnection and metering. Gas retailers are not obliged to provide the same price safety net that is available for electricity customers.

Australian Federal Government

Energy was solely a State matter under the constitution adopted at Federation in 1901, but now the Australian Government also exerts significant influence due to its environmental obligations under international treaties, and judicial interpretations by the High Court. Crucially, the Australian Government raises over 80% of tax revenue in Australia, giving it leverage over the State Governments.

The Federal Labor Government, first elected in May 2022 and re-elected with a larger majority in May 2025, has contradictory policies. Emissions reductions are now part of the national energy objectives which energy market authorities must follow (ECMC 2024b). Renewable energy is strongly supported through many programs, such as Rewiring the Nation, the Capacity Investment Scheme and, new in 2025, a Household Energy Upgrades Fund, a Social Housing Energy Performance Initiative and a Cheaper Home Batteries Program.

However, the Federal Labor Government is also supporting expanded exports of LNG. Following its 2025 re-election, its approval for Woodside's proposed expansion of the Burrup Peninsular project in Western Australia will lead to massive new offshore gas fields and expanding existing infrastructure – global emissions will soar (Morton 2023). Many other gas projects are being supported under the *Future Gas Strategy* (DSIR 2024). Australia continues to play a delaying role in COP proceedings, pays lip service to concerns of Pacific Island nations and has offset schemes and other dubious mechanisms to minimise reported emissions (Feik 2023; Ryan and Rosewarne 2023).

Economic strategy – national and corporate interests entwined

Support for fossil fuel investment remains, in the short-term, consistent with Labor policy based on attracting private investment to a market-based economy in the pursuit of economic growth. Since the COVID pandemic, investments in fossil fuels have offered higher returns compared to renewable projects (Abel *et. al.* 2023), and over 2024 international financiers increased investment in fossil fuel companies (Rainforest Action Network 2025). Labor is extremely sensitive to the charge of irresponsible economic management, even though, for 50 years, it has pursued an agenda of liberalising Australian capitalism rather than

replacing it or nationalising key economic sectors. Fears of energy shortages and unreliability feed into this timidity. Its modest interventions, characterised by opponents as ‘picking winners’ in the form of industry policy, are vehemently attacked, especially when some failures occur. However, opponents of industry policy often make an exception to support expanding gas infrastructure (Thornton 2020).

Reluctant to confront the globally based fossil fuel corporations and their financiers, the Australian Government also faces the challenge of finding an alternative green economic strategy acceptable to major investors and trading partners. Market-based proposals to use Australia’s excellent solar and wind capacity to produce and export energy-intensive goods, such as green iron, steel, aluminium, silicon and ammonia (Finighan 2024), face stiff internal and external opposition. Japanese Ministers, diplomats and officials have publicly criticised Australia, warning against potential changes to energy policy that could reduce gas supply into the future. We can also assume that, given the scale of US corporate investment in Australia (Herlihy 2023; Fernandes 2022), the US government lobbies hard on behalf of its fossil fuel giants. Moreover, the Singaporean government and the Chinese government both own significant shares in Victoria’s gas and electricity companies. Because Australia has free trade agreements with Japan, Korea, Singapore, China and USA, threats by their corporations to use Investor-State Dispute Settlement provisions in those agreements may also be at play (AFTINET 2024). Fossil fuel corporations are constantly testing the boundaries of the market and regulatory system and are frequently found to be using their power to ‘game the system’ (Parkinson 2024; Keane 2022).

Stakes and narratives in the gas industry

All agents are not uniformly invested in the gas system. Households want the heating and other services that fossil fuels or renewable energy can provide. Retailers want to profit by selling energy *per se* and by holding onto their gas customers while the energy transition speeds up. Pipeline and storage owners and producers are the agents particularly committed to gas because their fixed assets do not have other uses. The state is caught in a juggling act of ensuring energy supplies, fostering renewables and above all creating investment opportunities.

While gas remains in use, each industry player stands to make short-term profits. This particularly applies to future LNG importers like Woodside if, on days of peak demand, they can supply the gas-powered generators producing electricity and households still using gas. These supply issues are generating intense rivalry, between potential LNG importers and other players, to capture state support.

Despite these differences, the industry relies on the same supply-side narratives. By 2017, the five gas industry associations were ready with *Gas Vision 2050* (ENA 2017) as a response to public concern and the ACCC inquiries that began that year. Their narratives are deeply ingrained and are easily read as a ‘common sense’ story. They define how the provisioning system has evolved and how the wealth transfer away from consumers is defended. We consider the main narrative themes, as follows:

- *Lifestyle choice and cost:* Upgrading household appliances to use fossil gas instead of coal gas and even electricity was portrayed as ‘modern’ in the 1970s. The industry has since used the term ‘natural gas’ to build a narrative of easy, trouble-free cooking, warm, cosy living, and a reliable source of hot water. The gas industry paints Victorians as being in danger of being deprived of their lifestyle choices by claims such as: electric stovetops are not as responsive as gas; reverse cycle air conditioners (heat pumps) don’t heat a whole house and create uncomfortable air flow; and heat pumps cost far more than gas units.
- *Technology will save the day and renewable energy is unreliable:* In *Gas Vision 2050*, hydrogen and biofuels are presented as the gases of the future; and carbon capture and storage will deal with emissions from fossil gas. On renewable energy, doubt is spread about energy shortages, the unreliability of wind and solar, likely high prices and job losses, and increasingly the size of the renewables challenge. The gas industry points to future energy needs when coal-fired power stations close and electric vehicles are soaking up energy from the grid. In their narratives, electrification of everything could lead to power failures.
- *Gas is needed to support renewables:* This is used as an overall ‘gas is good’ argument. While some gas is required to support the stability of renewables, this role is likely to become redundant quickly with the availability of renewable energy storage

(pumped hydro and batteries) and exports and imports of electricity between states.

- *Energy companies are renewable companies:* Because the big retailers, and many other agents, are also investing in renewables, they can badge themselves as socially responsible while also testing out opportunities that might be profitable. In its public relations for the LNG import terminal, Viva Energy is rebadging its operations as the ‘Geelong Energy Hub’, which may include hydrogen refuelling, recycling soft plastics into oil, and a small solar farm.
- *Gas is essential for economic growth:* Foreign earnings are used to justify Australia’s continued expansion of LNG production and exports. In moving to a hydrogen economy, the gas pipelines and skilled workforce are said to give Victoria a new competitive advantage (Meagher and Dyrenfurth 2020).
- The most deeply ingrained narrative involves *conceiving production and consumption of gas simply in terms of a market*. Consistent with the neoliberal thinking that led to privatisation, capitalist markets are portrayed as the best means by which the energy needs of households can be met. Moreover, the market framing fundamentally shifts the core premise of the system away from one of collectively meeting essential needs to one where users are exercising their energy choices independently and providers are responding to market signals.

The gas industry communicates these narratives in the typical corporate pattern (Edwards 2019). Media teams are employed to create glossy public relations materials and to mount social media, television and radio campaigns. Expert consultants are engaged to compile data and help prepare submissions to public inquiries in support of their investment proposals. Energy authorities operating within the legacy framework of Australia’s east coast energy markets by and large endorse and use these supply-side narratives.

The SoP approach, by focusing on these ideational aspects as well as the material interests and investments buttressing gas supply, aids our awareness of the impediments to a more sustainable future.

Conclusions

This article has presented an explanation of why there is such sluggishness in the transition away from fossil gas in Victoria, aiming to assist environmental campaigners and other community groups in countering the prevailing interests and hastening the transition. While many consumers are largely supportive of change, powerful agents have a strong financial or reputational interest in maintaining the current system. Proposals from the latter to invest in more gas infrastructure are rooted in multiple causes, ranging from the nature of the existing housing stock and the upfront cost of renewables to the creation of the east coast gas market, the decline of rich gas fields, the LNG exports from Australia, and the influence of foreign governments and globally significant shareholders.

Understanding and framing the gas system primarily in market terms legitimises gas as a commodity to be extracted, bought and sold for corporate profits. The narrative about markets leads policy attention to revolve around market-shaping, not the demand-side investment needed for the energy transition. This framing is the lens through which most players consider the questions of how the decline of gas will be managed and who pays – whether households, fossil fuel companies or the state.

Demand-side solutions, although increasingly in the public eye since Victoria's *Gas Substitution Roadmap*, do little to challenge the operation of energy markets, nor the complex and ever-changing state bureaucracy that is required to govern them. The climate impacts are legitimised as market outcomes reflective of consumer preferences, even though most consumers cannot immediately change their energy behaviours. The gas suppliers are then regarded as merely responding to market forces; and governments have little appetite for major change.

This situation is not unchangeable though. The Victorian Government may be moving towards incrementally reversing energy privatisation; the federal Labor government's *Future Made in Australia* policy is somewhat interventionist; and the conservative coalition parties went to the last Federal election proposing public ownership of nuclear power stations. However, the fundamental framings of the neoliberal era continue, emphasising facilitation of private sector investment; a 'steer not row' approach to government; departmental budgets constrained and subject to 'efficiency dividends'; benchmarking with the private sector under national competition policy; and a 'revolving door' of private sector

managers rotating through the public sector. Both state and national jurisdictions could instead be building their capabilities for *direct intervention* on the scale required for a rapid transition away from fossil fuels.

Community campaigners have a key role to play. Their campaigns have had significant successes in banning onshore gas fracking in Victoria; halting and delaying proposals for import terminals; strengthening regulations to limit more gas connections; lobbying for renewables; and, all the while, contesting spurious arguments that industry lobbyists present to politicians. Understanding the SoP can help to guide and strengthen the campaigners' future actions.

Crucially, we encourage scholars and activists to collaborate in widely disseminating information about the SoP in simple and digestible ways. While participating in state structures and processes – and working where helpful with energy experts and political economists – climate groups and social justice groups can expose how basic design flaws and systemic inadequacies favour each group of agents. A knowledge of the SoP can also guide strategic campaigning against agents such as Woodside which intends to use LNG imports to further strengthen its foothold in Victoria. Moreover, the fossil gas SoP will profoundly change as the energy transition speeds up. Because tipping points in the energy transition are being passed, there is a growing recognition that people power is necessary and can make a difference (Rosenow 2025). Each dollar of gas investment that is halted or delayed counts towards reducing the cumulative emissions damaging the planet. Every small action to speed up the transition matters.

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COST OF LIVING AND MONOPOLY CAPITALISM IN AUSTRALIA

Timothy Kerswell

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 financialised 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’s 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.

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 reflects 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 disequilibrate, 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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AUSTRALIAN UNIVERSITIES: FINANCE, INEQUALITY AND MERGERS

Greg McCarthy

It is well-known that Australian universities are now heavily reliant on income from the enrolments of international students, but what is less fully appreciated is how contradictions in education funding have created structural inequalities in higher education. This article examines how government policies for higher education have interacted with the spatial division of labour to intensify uneven development between Australian universities.

A central feature of this unevenness is the difference between the eight large research-intensive universities (the Group of Eight or Go8) and the other 29 public universities. Metropolitan universities, especially those in Sydney and Melbourne, face less fiscal stress than non-metropolitan ones; and universities in the less populous states and territories, such as South Australia (SA) and Western Australia (WA), face distinctive challenges because of their positions in relation to global and local divisions of labour. These three types of inequality – *between* the Go8 and non-G08 universities; *within* the top-tier Go8 universities; and *between* universities in different states – interact to create a complex mosaic of inequalities and correspondingly varied responses to fiscal stress.

Exploring these features, this article has five sections. The first presents an overview of the combined university sector as it evolved from the Hawke Labor government's unification policy in the 1980s and through the subsequent decades. It considers the present higher education funding model and the reasons why universities in the major cities of Sydney and Melbourne have been advantaged by their position in relation to the local and global spatial divisions of labour. The second section addresses the

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COVID-19 global pandemic and how the Morrison government's policies accentuated the unevenness, widening the gulf between universities with fiscal surpluses and those in deficit. The third section examines the Albanese government's policies, including the shift from regulations at a distance to micromanaging international students and education providers. This is followed by case studies of why university amalgamation proposals emerged in South Australia (SA) and Western Australia (WA) and, more briefly, by case studies of the University of Queensland and the Australian National University. The article's concluding section sums up the principal findings.

A unified but uneven tertiary education system

A transformation of Australian higher education occurred when the Hawke government's engagement with globalisation, explicitly linked education to a larger program of structural economic change. Responding to the new international division of labour resulting from the shift of industrialisation to Asia, the Hawke government sought to foster a knowledge-based economy (Johnson 2000). Its reforms to higher education in the 1980s, led by Education minister John Dawkins, were central to this response to deindustrialisation, aiming to build a more diverse labour market and to increase the nation's skill capacity. Dawkins sought to achieve the aim through creating a unified system of tertiary education, formed by amalgamating the former Colleges of Advanced Education (CAEs) into universities, regulated to match global competition. The Dawkins reforms introduced a three-way funding model for the universities, comprising:

- 1) public funding (which declined over time from 90% of university revenue to around 40% today (Department of Education Accord 2024a:277);
- 2) income from student fees, based on a deferred income model – the Higher Education Contributions Scheme (HECS) – which, over time, was to fund more university teaching; and
- 3) full fees for international students, which unevenly funded university research and general untied revenue within each university (McCarthy and Jayasurya 2022).

This funding system created uneven development between universities and across the whole sector. Although all the universities responded to the

new 3-tier funding model, those in the Sydney and Melbourne had a strategic advantage in terms of their size and locality, due to the position of those state capital cities in the local and global divisions of labour, which became intricately linked to ‘circuits of capital, resources, migration and educational advantages in post-study employment’ (Sigler *et al.* 2018:366). The spatial division of labour in Sydney and Melbourne also provided advantage in attracting domestic HECS-paying students, while the high-ranking position of the major universities in those cities appealed to international students.

Moreover, while all universities faced the same regulations, those in Sydney and Melbourne could more readily realign with the new economies in finance capital and advanced technologies. This advantage has been recognised by previous studies. For example, drawing from pioneering analysis of the spatial division of labour by Doreen Massey (1979, 2005), Searle (2009) argued that the greater educational advantage of universities in Sydney and Melbourne arose from their capacity to link education to the knowledge economy in information technology and related services.

Another factor favouring Sydney and Melbourne is that the universities in those cities are preferred destinations for international students because of their global rankings, local lifestyle, employment prospects, affordability, and cultural mix. This aligns with reasons to come to Australia rather than elsewhere: as Nguyen *et al.* (2023) note, Australia is a desirable destination for international students for two basic reasons: (a) environmental factors, such as career opportunities and life experiences, safe environment, Western culture and English language, and proximity to home country; and (b) academic pull factors, including university rankings, perceived quality of the education and the portability of the qualification, and the global reputation of the university and its academic staff. Nguyen *et al.* (2023) conclude that international students tend to favour metropolitan locations that display strong environmental and academic pull factors. In Australia, Melbourne and Sydney stand out with positive environmental factors and for having most of the nation’s highest-ranking universities.

The unevenness between the research-intensive universities and other universities is another factor, recognised by Jessop (2018) in the United Kingdom. This dichotomy applies quite sharply in Australia where the historically research-intensive universities, the Go8 are distinct from the newer and merged universities in terms of research revenue and international student load (McCarthy and Jayasuriya 2022).

The Go8 universities together attract 41% of all international student fees and 52% of international student revenue, which they use to fund research costs (Go8 2025:1). Similarly, the Go8 universities undertake 70% of all university-based research in Australia; and they invest \$7.7 billion annually in research, representing 20% of the total national investment in research and development (Go8 2024). Ferguson (2022) calculated that, in 2022, the Go8 universities received 67.2% of the cumulative funding from Research Block Grants (RBG) and National Health and Medical Research Council (NHMRC) grants.

There is also unevenness *within* the Go8 group, reflecting differences in size and location. In terms of research funding, six universities within the Go8 dominate, these being the University of Melbourne, the University of NSW (UNSW), Monash University, the University of Sydney, the Australian National University (ANU), and the University of Queensland. The other two – the University of Adelaide, and the University of Western Australia (UWA) – are far behind in research funding.

Of the 2024 research block grant allocations, the University of Melbourne received \$243.5 million, Monash University \$239 million, UNSW \$204.4 million, the University of Sydney \$201.5 million, University of Queensland \$181.7 million, the ANU \$125 million, the University of Adelaide \$102.8 million, and UWA \$89 million (Department of Education 2024c). Although well behind the first 6, however, the latter two attract more research funding than any of the non-Go8 universities. Moreover, these inequalities are magnified because, for every \$1 of competitive grant money received, universities spend an additional \$1.14 on average from their own source incomes to pay for on-costs (Fisk and Owen 2023).

Not surprisingly, these disparities in the universities' financial situations are strongly linked to their differences in size. In 2023, Monash University had 84,196 EFTSUs (equivalent full time student load, which equates to full time student course enrolments); the University of Sydney had 76,082; RMIT had 73,327; the University of Melbourne had 72,247; UNSW had 70,342; and the University of Queensland had 55,412. By contrast, ANU had 24,272, UWA had 27,081 and the University of Adelaide 24,833 (Department of Education 2023).

The difference in international student enrolments within the Go8 universities accounts for a substantial part of the overall financial inequalities. In 2023, UNSW had 17,354 international EFTSUs; University of Sydney 17,247; Monash University 12,7573; University of

Melbourne 11,866; RMIT 8,750; ANU 8,817; University of Queensland 8,157; University of Adelaide 4,514; and UWA 5,140 (Department of Education 2023).

The *incomes* arising from these Go8 international students, calculated from university budget reports for 2022/23, were \$1 billion for Monash University and \$1 billion for the University of Sydney; \$993 million for the University of Melbourne; \$753 million for UNSW; and \$710 million for the University of Queensland. The bottom three received much less revenue from international students: ANU \$245 million, University of Adelaide \$242 million and UWA just \$175 million (Sato *et al.* 2024).

Similar unevenness is apparent in *total revenue* for the Go8 universities. In 2020/23, the University of Melbourne recorded revenue of \$3.3 billion; University of Sydney \$3.1 billion; University of Queensland \$2.3 billion; UNSW \$2.3 billion; Monash University \$3.2 billion; then, in the second tier: ANU with \$1.2 billion, UWA \$1.2 billion, and the University of Adelaide \$1 billion (Sato *et al.* 2024).

Table 1: Australian Go8 University Global Rankings, 2025

University	THE	QS	ARWU
University of Melbourne	39	13	37
Monash University	58	37	82
University of Sydney	61	18	74
University of New South Wales	83	19	77
University of Queensland	77	42	63
Australian National University	73	32	101-150
University of Adelaide	128	82	151-200
University of Western Australia	149	77	101-150

Source: Academic Rankings of World Universities (2025); QS Top Universities (2025); Times Higher Education (2025).

As shown in Table 1, inequality between Australian universities is also reflected in their global rankings, principally the rankings of the *Times Higher Education* (THE), *Quacquarelli Symonds* (QS), and the *Shanghai Ranking's Academic Ranking of World Universities* (ARWU 2025). None of the non-Go8 universities were listed in the global top 100.

The pandemic crisis and post-pandemic unevenness

The COVID-19 global pandemic exposed the fragile unevenness of the Australian university system and the regulatory arrangements. At its onset, the Morrison government introduced the largest fiscal and labour market interventions (Job Keeper and Job Seeker) in Australia's history, costing \$88.8 billion (Australian Government 2023) to protect the continuance of neoliberal capitalism (Zanoni and Mir 2022). The government prioritised payments to citizens and permanent residents and excluded university employees from Job Keeper. At a press conference on 3 April 2020, Prime Minister Morrison announced that international students would not be eligible to receive either of these pandemic-related financial assistance payments, saying they were 'They're obviously not held here compulsorily [...] If they're not in a position to support themselves, then there is the alternative for them to return to their home countries' (cited in Ross 2020a).

Morrison referred to universities as 'very large organisations with billion-dollar reserves' therefore did not warrant government support (quoted in Ross 2020b). This was, however, a metropolitan view, most relevant to the large Sydney and Melbourne universities, and less applicable to regional universities with limited reserves. Notably, however, many universities used the government's lack of financial support as a justification to restructure their course offerings and undertake staff redundancies, impacting an estimated 9,050 permanent and fixed-term contract and an estimated 21,000 contract and casual staff (Jayasuriya 2021:585).

The financial implications of the pandemic for universities were substantial and uneven. Universities Australia (2024:1) recorded that

by 2020, 40% of universities were in deficit, a number that rose to nearly 70% by 2023, marking a significant financial downturn compared to the pre-COVID-19 and [...] in 2022 there were 26 universities in deficit and by 2023 there were 25 universities in deficit.

According to Universities Australia, the ‘sector’s apparent recovery in 2021 was misleading, fuelled by an extra \$1 billion in government research support, \$0.7 billion in short course and Job-Ready Graduates transitional funding.’ Because the one-off research support was concentrated in the Go8 universities, the already existing inequalities were amplified. In 2020-2021 the University of Sydney grew its revenue by \$791m (29%) and the University of Melbourne by \$246m (9%). In contrast, ‘Federation University and Central Queensland University revenues declined by \$83 million or 20 per cent and 17 per cent respectively’ (Larkins and Marshman 2023:1).

The Morrison government also created a new form of unevenness in the student fee structure with the Job-Ready Graduate (JRG) policy, cutting fees for STEM courses by 59% but raising them by 113% for Arts, Communications, Commerce, and Law courses (McCarthy and Jayasuriya 2022:683). This JRG policy did little to change student choices in practice, creating only a 1.5% shift in student preferences, according to the *Australian Universities Accord Final Report* (Department of Education, 2024a:4). However, it left Humanities and Law students facing extremely high student contributions and large Higher Education Loan Program’s (HELP) debts.

As argued by Jayasuriya and McCarthy (2024), if the Albanese federal government were to scrap the JRG, it would have to find new public funding for the universities, which is no easy matter for a government espousing strict budget control. When elected in May 2022, the ALP government adopted a policy of fiscal restraint to dampen inflationary pressures (Greenwell 2023) while, at the same time, reopening borders to an increased flow of immigrants and international students. This contradiction between the policies led to the Minister for Higher Education, Jason Clare, adopting a strategy of what Streeck (2014) calls ‘buying time’, to keep international student inflows for funding universities discretionary revenues while not raising public funding. It delayed policy decisions by commissioning Professor O’Kane to conduct a review of the university sector, titled an *Australian Universities Accord* (2022-2023). In July 2023, its *Interim Report* was released, raising prickly questions over Australia’s skills formation, university governance, and possible full research costing. The pressing concern of public funding of universities was obfuscated, with the Commission proposing a ‘wealth tax’ of 10% levied on international students from universities with the most

international student revenue, rather than increasing public funding (Jayasuriya and McCarthy 2024).

Minister Clare's strategy of 'buying time' unravelled politically, as the number of overseas students increased. By 2024, a total of 1,018,799 international students were enrolled in Australian education institutions (including those in schools, English language courses and non-award education). Within higher education alone, there were 332,000 students enrolled in VET and 467,000 students enrolled in universities (Department of Education 2024b:1).

In 2024, then-Opposition Leader, Peter Dutton politicised the increased number of international students by saying these students were the 'modern version of the boat arrivals' and spoke of the resulting rental accommodation pressure in Sydney. In response, Minister Clare introduced an interventionist regulatory strategy to manage the international student demand by increased visa fees and tighter restrictions on work-study hours. Most notably, for education providers, Clare announced 'Ministerial Direction 107', which drew a division between legitimate education institutions and those considered risky (because of being primarily avenues for permanent residency), using regulations to restrict enrolment in the latter. Also highly significantly, Clare introduced the Education Services for Overseas Students Amendment Bill (Quality and Integrity), which recommended a shift from 'steering from a distance' to micro-managing educational providers by placing international student enrolment caps on individual institutions and a total visa cap at 270,000. Although the Bill did not pass the Parliament, Minister Clare subsequently replaced 'Ministerial Direction 107' with 'Ministerial Direction 111' which stipulated that, once a university had reached 80% of its international students' quota, any subsequent applications would be subject to the lengthier standard processing times.

In February 2024, the Department of Education (2024a) released the *Universities Australia Accord Final Report*, stressing skills formation and equity targets via a modified demand-driven model. In terms of funding, the report assumed that there would be no increased public funding, proposing instead to place a levy on universities' 'reserves' (which would be coming substantially from the fees of international students) to the amount of \$5 billion, to be matched by government to generate \$10 billion for the Education Future Fund. The Minister's strategy foreshadowed a new and more powerful regulatory body – the Australian Tertiary

Education Commission (ATEC) – to address enrolments, institution mission statements and the JRG scheme. The one financial reform proclaimed (with the upcoming election in mind) was the Minister’s announcement that the government would cap the HELP indexation rate, eliminating about \$3 billion in student debt for three million Australians (Clare 2024).

University merger proposals – Case studies in SA and WA

As explained above, there is a strong contrast between the financial capacities of the Go8 universities in the ‘global cities’ of Sydney and Melbourne and the regional universities, reliant on local economies (Sigler et al. 2018). Distinctive stresses have been experienced by universities in South Australia (SA) and Western Australia (WA), leading the state governments to initiate university merger proposals as a means of increasing enrolments and research capacities.

South Australia

In 2022, the newly elected Malinauskas Labor government set about implementing a university merger strategy that had already been foreshadowed in its electoral platform. This was part of the government’s ambition to re-set the future for the state economy, which had previously been narrowly focused on the motor vehicle industry and dealing with the economic damage caused by its closures (Dean and Broomhill 2018). The SA government’s new strategy was linked to that of Prime Minister Albanese’s *Future Made in Australia* plan, seen by Mazzucato as ‘a bold opportunity’ (2024:1) for ‘mission economy’ renewal. The SA government stressed industrial complexity as essential to reindustrialisation (Worrall *et al.* 2021), which would emerge from a range of public initiatives, including: (i) the development of an advanced defence strategy linked to AUKUS, the trilateral nuclear submarine partnership between Australia, the United Kingdom and the United States (ii) funding for innovative university-based information technology and space research; (iii) implementing a ‘Factory of the Future’; and (iv) constructing a state-owned green hydrogen energy plant to fuel the Whyalla steelworks at a

cost of A\$593 million (Dean and Worrall 2024), which would then be run by the private company GFG Alliance.¹

Notably, SA was at a disadvantage in creating economic complexity as it has a disproportionately high share of small enterprises, which provide some 55% of the state's employment, with large firms contributing only 35% of SA's gross revenue (Department of the Premier and Cabinet 2022:1). Furthermore, Adelaide lacks a broad technology community and is only just beginning to catch up to Sydney, Melbourne, Brisbane, and Canberra in terms of its number of technology clusters.

Seen in this context, the state government's plan to merge two South Australian universities had potential merit in terms of building the state's digital knowledge community and creating a larger university with increased research capacity. In his address to the National Press Club of Australia (2022), Premier Malinauskas argued that merging two of the three state universities was key to the industry strategy of creating industrial complexity and building a knowledge economy (NPC 2022), stating that the existing three-university model had notable shortcomings:

They are too small and too undercapitalised to make it into the list of top international universities [...] they simply don't do enough large-scale research to be recognised as world leading, and that is holding our state back. Combined, our three universities don't equal the revenue of the University of Melbourne alone (NPC 2022).

Pressing ahead with the merger proposal, Malinauskas established a vice-chancellors' committee to attest how the universities could best develop a globally high-ranking university and foster applied research. To facilitate the merger, the state government established the Joint Committee on the Establishment of Adelaide University to investigate and take submissions on the proposed merger. The committee received 86 written submissions, the majority being in support of the merger (Joint Committee on the Establishment of Adelaide University 2023). University of Adelaide and

¹ This part of the strategy unravelled in February 2025 when the Whyalla steel works was placed in administration, and the hydrogen plant funding was transferred as part of the \$2.4 billion rescue package to take over the steelworks. In May 2025, the hydrogen plant proposal was pushed far into the future when the Office of Hydrogen Power South Australia was dissolved; and the future of hydrogen power to fuel the Whyalla steel works was made dependent on the decision of a potential new owner (Keane and Hunter 2025).

University of SA vice-chancellors, Professor Høj and Professor Lloyd, both expressed their full support of the merger, reasoning that their universities were much smaller than their interstate rivals and stressing the need for size and scale (Joint Committee on the Establishment of Adelaide University (2023). This view was supported by Go8 CEO Vicki Thomson (2023), saying that:

Bigger isn't always better – however in our system scale does matter – it matters significantly as it relates to this merger proposal – because successive Federal Governments have not funded university research as it logically should be. Australia has a distorted funding model when it comes to research funding. Today in Australia, in 2023, the only way to achieve a successful leading research-intensive university is through scale (Go8 2023).

The universities stressed that international education was the state's largest service export, contributing \$1.4 billion to the economy, with a combined revenue of approximately \$1.7 billion and staff of 6,900. The universities' submission predicted that by 2034, the newly merged and renamed 'Adelaide University' would contribute an additional \$500 million annually to the state's economy and educate more than 70,000 students' (Parliament South Australia 2023a).

The universities' merger submission was supported by Business SA and the South Australian Productivity Commission, stressing the potential of increasing economic growth and industry research (Parliament South Australia 2024). Opposition came from University of Adelaide scientists concerned over its likely effect on rankings for science and the potential costs of a merger, using Manchester University's merger as an example of cost blowouts. Counter evidence was presented from a Manchester University representative saying that, after the merger, the new university's ranking rose significantly, and the increased costs were due to long term infrastructure plans (Parliament South Australia 2024).

In the end, the Joint Committee decided to support the merger, reporting that the establishment of Adelaide University 'will advance the economic and social interests of South Australia' (Parliament South Australia 2023b). The merger legislation to establish Adelaide University passed the state parliament in late October 2023 and was gazetted on 16 November 2023 with the aim of the merger commencing formally in 2026.

Western Australia

The Western Australian state government has also explored merger options. In 2023, the McGowan government announced its decision to establish an independent review committee to explore the merger of the state's four universities – the University of Western Australia, Curtin, Edith Cowan, and Murdoch. This was in response to the WA universities' unstable global rankings, low international student enrolments, and WA falling behind the Eastern states in research capacity (Government of Western Australia 2023a). The terms of reference of the WA University Sector Review (USR) focused on domestic and international enrolments, research competitiveness and financial sustainability, not on industrialisation (Harding *et al.* 2023).

The absence of concerns with industry policy and industrialisation in the Review can be seen as reflecting the resource-based and export-oriented nature of the state economy. Mineral extraction is WA's leading industry. The Department of Treasury (2021:1) notes that the mining sector contributed almost half of the total growth of the WA economy during the past 30 years. As a result, the mining industry's share of the State economy increased from around 15% in 1989-90 to more than 40% in 2019-20. In contrast, the manufacturing sector's share of gross state product fell from approximately 13.4% in 1989-1990 to only 2.8% in 2019-2020 (Department of Treasury 2021:11). The construction sector grew with the expansion of mining in 2013 but had dropped by 42% from that peak total by 2019 (Department of Treasury 2021:8).

According to the Western Australia Economic Profile (Department of Jobs, Tourism, Science and Innovation 2025:20), mining is the key driver of the spatial division of labour in WA, accounting for '44% (\$41.3 billion) of Western Australia's investment in 2023-24, followed by: transport, postal and warehousing (8% or \$7.8 billion)'. Plummer and Tonts (2013) argue that WA has a 'patchwork economy' of spatial heterogeneity, featuring agriculture and forestry services located south of Perth and mining in the north. MacKinnon (2013:318) draws further attention to the complex interrelationship in the mining labour market, which is built around fly-in fly-out workers, principally to and from the Pilbara region (1,000 km north of the capital city of Perth), reflecting 'an economy that can be said to be extractive in a double sense, involving the extraction of economic value through profits, wages and royalties in addition to natural resources'.

These economic characteristics have significant implications for higher education in the state. Dockery *et al.* (2022:12) argue that the WA labour market is uniquely prone to skills shortages when the mining industry booms. In the period 2000 to 2021, the WA economy more than doubled in size but there were persistent skills shortages. To obtain faster entry into the mining sector, short courses and on-the-job certifications became more attractive than degrees. Consequently, WA has a higher proportion of people with 'Certificate III and IV, Advanced Diploma, or Diploma qualifications than other states, at 27%' (Department of Education 2023b:16). The material incentive for gaining quick entry in mining by certification rather than enrolling in degrees is correlated with the mining salary range in the mining industry from \$87,750 to \$250,250 (*Talent.com* 2023), depending on expertise, compared with a manufacturing worker's salary of between \$50,000 and \$60,000 per year or an entry-level teacher's salary of around \$80,000 (WA Department of Education 2025).

These features of the State economy have significant effects on the appeal of higher education to potential students. A survey of young people in Perth found that 65% did not see the value of university education (Halliday *et al.* 2023), whereas 63% of Victorians and 57% of Queenslanders said they believed university was a critical part of their path towards their chosen career. WA has the second lowest rate of domestic enrolments in higher education (at 3.79%).

The low domestic student enrolments in higher education (only 110,914 of a total WA population of 2.7 million in 2021) was noted by the University Sector Review (Harding *et al.* 2023). It pointed out that only 23.8% of WA's population aged over 15 years had a bachelor's degree or postgraduate qualification, lagging both New South Wales and Victoria by 4-5% (Harding *et al.* 2023). The Review stressed the imperative for the four WA universities to address domestic enrolments, saying that:

Between 2011 and 2021, Western Australia had the smallest percentage growth in higher education enrolments in Australia (14.2%, compared with 31.3% across Australia). Western Australia also had the smallest percentage increase in domestic higher education enrolments of any State over this period (23.7% compared with 31.2% nationally (Halliday *et al.* 2023:4).

The Review also found that WA universities fell behind national trends in attracting international students, reflecting WA's narrower migration

pattern². For example, the USR (Harding *et al.* 2023:14) recorded that, nationally, ‘overseas higher education student numbers were 31.5% higher in 2021 than they were in 2011; in contrast, in the WA higher education institutions, there were 8.4% fewer overseas students enrolled in 2021 than in 2011’. The USR (Harding *et al.* 2023:7) also stated that, across all Australian universities, overseas student load grew by 23.2% between 2011 and 2021 but, in the four WA public universities, it fell by 13.5%. As a result, WA universities’ combined market share of overseas student load fell from 11.2% in 2011 to 7.9% in 2021 (Harding *et al.* 2023:20).

This laggard position has implications for the universities’ finances. International student revenue for the four WA universities did grow – by 11% between 2011 and 2021 (from \$383m to \$425m) – but this was very modest growth in comparison to university revenues elsewhere in Australia. Over the same 10-year period, international revenue for the Go8 universities had increased by 195%; and the average growth for the whole sector was 106% (Harding *et al.* 2023:22). In 2023, its international students in WA comprised 6,690 from India, 4,294 from Bhutan and 3,667 from China, making WA the only state in Australia for which China did not rank first or second as the source country for its international students (Department of Education 2023).

Because of the low international student load and a correspondingly weak capacity to fund university research, the four WA universities experienced a relative decline in research grant competitiveness. Between 2001 and 2021, national competitive grants to WA universities had increased from \$54.3 million to \$143.1 million, but this did not keep pace with the growth in other states (Government of Western Australia 2023b:20). The USR calculated that WA’s share of national grant revenue fell from 11.1% in 2001 to 6.9% in 2021 (Harding *et al.* 2023:20). Moreover, the combined research income for the four WA public universities (\$425.0 million in 2021) was lower than each of the University of Melbourne, the University of Sydney, Monash University, UNSW, and the University of Queensland

² WA’s proportion of current residents originating in the UK is 9%, double the national average (Argent 2013). Immigrants from South Africa represent 1.7% of the state’s population, more than double the national average. Concomitantly, WA’s Chinese population is 1.1%, half the national average of 2.2%. These patterns are replicated in higher education enrolments, with higher proportions of non-Asian cohorts than elsewhere in the country (Office of Multicultural Interests 2023:9).

(Harding *et al.* 2023:21). Growth in total operating revenue over the period from 2011 to 2021 was also slower, averaging 3.1% for the four WA universities, compared with the national average of 5% (Government of Western Australia 2023b:23).

Offsetting this laggard position for WA in research funding is that its universities receive more mining industry grants than other states, reflecting the nature of the state economy. For example, in 2018, UWA and Curtin University were participants in a \$210 million Mineral Exploration Cooperative Research Centre with BHP, Rio Tinto and a range of local mining companies. In 2020, the four WA public universities received \$60.5 million from the mineral resources industry, amounting to 5.9% of their total R&D expenditure funding (Harding *et al.* 2023:26).

To get the four WA universities onto a more secure financial footing and prevent them falling behind universities elsewhere, especially those in Sydney and Melbourne, the University Sector Review identified four possible options: (i) a full merger of the four universities; (ii) a partial merger; (iii), a federated model like the University of California; or (iv) keeping the status quo (Harding *et al.* 2023:27). The WA Labor government, headed by Premier Cook, bided his time until after the 2025 election, then announced another independent review of the structure of the public university sector, headed by former state Labor minister and federal MP, Alannah MacTiernan. The review, widely seen as a response to the creation of the new Adelaide University by merging two universities in SA, may find new resonance in WA.

Comparing the cases

The unevenness of the university sector in general and of universities in SA and WA in particular can usefully be explained in terms of Doreen Massey's (1979) analysis of the global and local spatial division of labour. In Sydney and Melbourne, the global and local divisions of labour have given their universities, especially those in the Go8, a comparative advantage. In SA, the recent university merger to form Adelaide University arose from the state government's decision to actively redress its deindustrialisation history. In contrast, the WA economy has a spatial division of labour shaped by its reliance on mineral resource extraction; and the state government's decisions on university mergers are influenced by those business interests as well as the university sector itself.

There is a further contrast between the states in terms of their structures of capital and political power. The corporate sector in South Australia has been weakened by local decline in manufacturing. There is a dearth of corporate head offices; and the public sector is the state's major employer (Dean and Worrall 2024). In Western Australia, on the other hand, corporate power is centred on the dominant mining companies - Hancock Prospecting; Fortescue Metals; BHP Group; Rio Tinto Group; and Woodside Energy having local and 'global resource driven hubs'. These mining companies have strong political influence, especially because of the reliance of the state government on mining royalties.

Further case studies from Queensland and the ACT

The unevenness among universities also applies in other states and territories. While the Go8 universities have paramount positions in each, their current financial situations are also strongly influenced by matters of scale and the divisions of labour. This can be illustrated by briefly examining the situation of the University of Queensland (UQ) and the Australian National University (ANU).

The UQ had a budget surplus in 2020 of \$82.9 million, and an even bigger surplus of \$333.9 million in 2021. In 2022, however, it recorded a large deficit of \$318.6 million, reflecting the ongoing impact of pandemic and Morrison government's lack of funding. But it bounced back quickly: in 2023, it had a surplus of \$117 million in 2023 and \$126 million in 2024 (UA 2024). Recovery post-pandemic was based on increased research grants and rising domestic and international enrolments. The UQ Annual Reports show that student enrolments rose to 57,143 in 2024, up from the 54,950 students who were enrolled in 2020. Similarly, international enrolments rose from 15,928 in 2020 to 17,804 in 2024.

A combination of rankings, internationalisation, size and regional embeddedness can help to explain how UQ was able to turn its deficit into a surplus. UQ's is ranked 42 in QS 2025, reflecting its size and scale, its ARC research success, grant income, and internationalisation. Of its 55,000 students, 42% are international; and 29% of the total academic staff are international. Perhaps most fundamentally, UQ is embedded in Queensland's diverse spatial division of labour, being heavily engaged in research fields that have local significance, such as mining and energy, agriculture and forestry, medicine and sports science. Queensland's

mining, agriculture, tourism, and service sectors constitute 30% of the state's gross state product. Mining is Queensland's richest industry, worth \$61.6 billion (coal, gold, tin, copper, and LNG); followed by health care and social assistance, with a value of \$44.4 billion; then education and training at \$23.9 billion, and tourism at \$15.7 billion (Queensland Treasury 2025). According to Ellam (2024), mining in Queensland is notable for its spatial character, uneven power relations between employers and employees, overlaid by temporality and regionalism. Similarly, Edelman *et al.* (2024), in their analysis of the spatial division of public health system in Queensland, stress the geographic differentiation. In a diverse regional economy, UQ graduates are well placed to fill local and regional positions and UQ holds first place in Queensland for securing employment positions for its graduates (QS 2025). Although there are other universities in Brisbane with which mergers could in principle be considered, most notably Queensland University of Technology (QUT) and Griffith University, there has not yet been anything comparable to SA and WA.

The situation at the Australian National University in the ACT is also very different. Whereas UQ was able to turn its budget around via growing its student numbers and grants, the ANU has fallen deeper into debt. In 2021 ANU had a surplus of \$30.2 million but, in 2022, it recorded a deficit of \$117.4 million in 2022. Post-pandemic, the financial stress got worse: in 2023, the deficit grew to \$132 million; in 2024 it was \$140 million; and in 2025 it jumped to \$250 million (adapted from UA 2024 and ANU public records). Part of the difficulty in ANU funding is its small catchment area in the ACT, which has a population of only 481,667. Its spatial division of labour dominated by public service is also highly skewed, with 75% of its labour force working in the public service.

Alongside these structural characteristics, part of ANU's budget crises has been self-inflicted. In 2019 Vice Chancellor Schmidt announced that the strategic plan was not to grow ANU beyond 20,000 enrolments; and for the university to promote itself as a small elite research university. VC Schmidt's decision was fully in keeping with ANU's history and standing as an elite research-based university. Some disciplines at the ANU are ranked in the top ten in the global top, particularly in Arts and Humanities, Natural Science, Agriculture and Forestry, Earth and Mineral Science (QS 2025). Consequently, ANU is consistently ranked highly as a leading research institution, currently graded 32nd in the QS (2025) ranking system. The ANU is also unique in that it obtains \$200 million annually from the Commonwealth government to meet national research and

teaching priorities. Therefore, the decision to concentrate on research excellence is understandable but, in an era when size and scale are paramount factors affecting university finances, the university has become more vulnerable.

ANU has a student population of only 17,000, with 10,252 undergraduate students and 7,128 postgraduate students. International students constitute around 29% of the cohort of students. ANU employs a total of 4,517 staff members, with a high international orientation (QS 2025). However, its opportunity to increase enrolments is limited by its location in the ACT. It might consider merging with the University of Canberra, but the latter has only 11,700 EFTSUs, so that would not wholly redress the enrolment size disadvantage; and previous attempts to amalgamate the institutions have come to nothing. The ANU could lower its entry requirements, but this would be unpopular with the highly educated population of the ACT and could jeopardise its status as an elite university. An evident danger is that, if ANU were to fall further behind the Go8 universities in Sydney and Melbourne, that would reduce its research status. The ANU therefore has currently limited options if it is to retain its elite research strategy: hence, the recent emphasis by its senior managers on internal Faculty restructuring and staff redundancies. This has created a furore among staff and students that has gained nationwide media attention, culminating in the resignation of the Vice Chancellor in September 2025 and in strong pressure on the Chancellor, former senior Liberal government minister Julie Bishop, to step down too.

Conclusion

This article has explored how Australian universities have been affected by a combination of political economic forces, some global, some national, and some local. Globally, there has been an increased specialisation within the international division of labour and greater flows of students seeking tertiary education beyond their countries of origin. Nationally, reforms to higher education by successive governments since the Hawke Labor government established the three-tier funding system have led to increasing financial tensions for the universities. Locally, these tensions have played out in ways that reflect the position of different states in the Australian federal system within the broader divisions of labour.

Three intersecting dualities are evident: G08 versus non-G08 universities; metropolitan versus non-metropolitan universities; and variations among the Go8 universities in different states and territories. Case studies of SA and WA, based on the application of Massey's (1979) theoretical approach, and case studies of the situations in UQ and the ANU indicate a more finely-grained dimension to the inequalities.

Overall, the inequalities between Australian universities can be interpreted as the result of three dominant factors: (i) the decline in public funding; (ii) the greater power of universities in Sydney and Melbourne to attract domestic and international students and their fee revenue; and (iii) the strategies of the universities themselves to use international student fees to build their research capacity and global rankings. High-ranking universities in the nation's 'global cities' (Sigler *et al.* 2018:370) have become a magnet for international students, exacerbating the inequalities between universities in the scale of their enrolments and research. Universities in non-metropolitan locations and in the less populous states and territories have faced more difficult situations. These outcomes are the culmination of the long- and short-term governmental policies of declining public funding, the growing reliance on student fees, and the regulatory changes that have exacerbated the unevenness between Go8 universities and the rest and within the Go8 universities themselves.

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E.L. 'TED' WHEELWRIGHT LECTURE

SHOULD WE ABOLISH UNIVERSITIES?

Raewyn Connell

For the last thirty years there has been a flow of books, pamphlets and articles, mostly written by academic colleagues, lamenting the state of universities. It's not exactly a flood, but it's more than a trickle, and the titles alone tell a story.

In one of the early warnings that something was going wrong in Australian higher education, Ian Lowe in 1994 published *Our Universities are Turning Us into the 'Ignorant Country'*. Since then, the titles have not become more polite. From Germany and the United States, we have *The Fall of the Faculty*, *Academic Capitalism*, *The Abandoned Mission in Public Higher Education*, *The Great Mistake* and *Wannabe U*. From other parts of the world: 'How Indian universities became profit machines', and 'The end of the South African university'. Coming home to Australia, we find titles like *Through a Glass Darkly*, *Selling Students Short*, *Bullshit Towers*, and most recently, a short book about our universities called simply *Broken*. We might conclude that the colleagues are a little worried.

Though each of these authors has a different focus or style, there's a lot of agreement in their worries. First, universities have been taken over by corporate-style managers, a group accurately called 'a permanent administrative class' by an American political scientist (Schwartz 2014). Decision-making has been centralised, university workers and students are at best 'consulted' about policy, and distrust between managers and staff has grown. Universities as organisations have been re-re-shaped on the

Connell, R. (2026)
'Should We Abolish Universities?'
Journal of Australian Political Economy
No. 96, pp. 149-61.

model of profit-making corporations. Top-down re-structuring, academic units redefined as profit centres, secrecy about major decisions, corporate double-speak, have all become familiar. At the same time, managers' salary packages have risen spectacularly.

Second, the university workforce has been re-shaped and made far more insecure. Many non-academic jobs, whose holders used to be part of the university team, have been outsourced. Solid academic tenure has gone; just about anyone can be axed in a re-structure. University teaching now relies massively on a precarious workforce that has no job security and poor career prospects. The conditions of work have been degraded: new regimes of surveillance, masquerading as 'accountability', place all staff under constant pressure.

Third, university students – re-defined as customers – are getting a poor deal. Fees have risen and keep on rising. Student debt accumulates on a massive scale. Most students are obliged to take part-time jobs to keep afloat. Class sizes have increased, while course offerings are narrower. Teaching methods have become more rigid, especially with the move online. Not surprisingly, students' attendance at lectures, and even presence on campus, have declined.

Finally, universities' cultural centrality and authority have declined. Universities used to be honoured as guardians of truth, repositories of knowledge, places of imagination and critical thinking – at the price of some academic remoteness. In recent government policy and management practice, the university sector has been re-defined in a very different way. It is now understood basically as a collection of competing firms that sell elite vocational training and expertise, indirectly selling social mobility. Apart from graduation-day rhetoric, that commercial vision is what counts most in practice.

To these main themes of recent criticism, I have some corrections to suggest. For instance, most of this literature neglects non-academic workers, who are one-half of the university workforce and are absolutely essential to university operations. Nevertheless, I think the criticisms are broadly correct. Indeed, they can be expanded. Universities still work as privilege machines. Intake is socially selective in terms of class, race and language. Historically, universities were deeply involved in colonialism (the University of Sydney's coloniality is crystallised in its wonderful motto *Sidere mens eadem mutato*: under changed skies, the same mind).

Currently the university system underpins an unequal economy of knowledge on a world scale.

To put it briefly: the contemporary university is an institution that has toxic effects on much of its workforce, fails to do well by its students, and fails to serve our society or the wider world as it could. And things can get worse.

Getting worse?

My title poses the question of 'abolition', and I will come to that proposal later. Here I will note that a kind of *practical* abolition is already being achieved by corporate-style university managers, through re-structures, downsizings and out-sourcing. Departments can be abolished, usually when managers claim that they are not bringing in enough money. Staff can be declared 'dead wood' and forced out. Most emblematic is the cutting of philosophy programmes (more visible in the USA than here). Philosophy used to be acknowledged as central to the intellectual culture of universities; it still is vital, if critical thinking is any part of what universities are for.

A more sweeping kind of abolition is now coming from the political right. Ultra-conservative attacks on climate science, evolutionary biology, gender studies and critical race studies are familiar. We have seen attempts by the Coalition in Australia to censor research grants in the humanities and social sciences, and to damage those fields by a sharp increase in student fees. The hard-line Orbán regime in Hungary has closed the whole field of gender studies, and in 2017-18 forced the Central European University out of the country.

Very recently, attacks have escalated to disempowering whole university systems. The Netanyahu government in Israel has overseen the physical destruction of all seven universities that used to exist in Gaza. Another kind of destruction has been undertaken by the Republican Party in Florida under Governor Ron DeSantis. In 2023, they staged a hostile takeover of New College, a public liberal arts college. They drove out faculty who were regarded as 'liberals', replacing them with allies of the ruling party. That seems to have been a pilot project. The state's Board of Education has general control over Florida's twelve public universities, so DeSantis packed this Board with his cronies. Their regime has seen tenure attacked, libraries purged, equity programmes terminated, and political allies

installed as university presidents. Last year, across the state, social science core courses were replaced with courses reciting the right-wing view of American history.

Prosperity

Given the amount of criticism and damage, we might think that university systems around the world were tottering. They are not. In 2025, according to UNESCO figures, the world had 264 million higher education students, more than ever before. That's 10 times the entire population of Australia. This is a large global industry, and though there are ups and downs in particular countries, on a world scale it is still growing. Universities and colleges are still supplying the world with engineers, doctors, architects, lawyers, teachers, and even economists, and are doing this on a larger scale than ever before. Note that this expansion rests on the cooperative, creative work of rank-and-file university staff, a point to which I'll come back.

University research too seems to be booming. Globally, about 5 million research papers are published in the journals each year. This number has surged with the advent of mega-journals (such as *The Lancet* group) and online-only journals (such as *PLoS*). Growth in global research output has also been driven by the huge investment in universities, especially elite universities, made by the Chinese government. Chinese researchers now publish more articles than researchers from any other country, including the United States. Five million papers mean a lot of peer reviews, and some colleagues are worrying where the ten million peer reviewers will come from. But I am confident that Elon Musk will soon work out how to write peer reviews by Artificial Intelligence, and post them on X.

Universities, then, are still collectively developing productive forces – most visibly, but not only, through the digital economy. They sustain and re-make social relations, notably producing social hierarchies through selection and exclusion. Equally important, universities *legitimate* social inequality in contemporary conditions. The University of Sydney management's tasteless publicity campaign proclaiming 'Leadership' makes a kind of sense at this level.

Universities are clearly performing tasks that matter to ruling classes and state elites. It's not surprising that corporate-style managers are able to shrug off the critics and disregard the anxiety and anger in their own workforce. The managers' position is buttressed by an informal coalition,

part of which is visible on university councils: executives of establishment companies, politicians and senior bureaucrats, elite professionals, and very rich individuals and families who are known in management-speak as 'donors' or 'philanthropists'.

More broadly, university managements and their practices are supported by the corporations that provide outsourced services, including management training; by the finance, technology and publishing industries that feed on the university system generally; and by a range of neoliberal agencies that regulate higher education, including ratings agencies, the OECD and the World Bank. In this world, the swollen salary packages for Vice-Chancellors and other managers, which seem outrageous to unionists and student activists, are likely to appear as signs of respectability and prosperity.

Thinking about contradictions

I'm struck by the contradictory character of this whole scene: prosperity and disaster, growth and decline, mostly at the same time and often in the same sites. We need ways to grasp these contradictions if we are to make a change agenda with bite. I don't have a full analysis to offer, and I don't know anyone who does. However, here are some thoughts on three structural tensions in university life (perhaps more exactly, clusters of tensions), that seem to be seated deep in our current reality.

Institutional form

The first tension concerns universities' institutional form. The problem here is not exactly new. Political economist Thorstein Veblen made a witty critique of the intrusion of business practices into universities more than a hundred years ago. But the issue now has a new scale. Basically, the labour processes of teaching and research – especially good teaching and research – emphatically require sustained, creative coordination among front-line workers. This bottom-up process of coordination and invention, in the daily life of university workers, is continually disrupted by the exercise of managerial power and the profit-and-loss logic of the corporate university. The immediate disruptions caused by restructures, and the continuing disconnections produced by outsourcing and by the centralisation of services, are stark. The systems of surveillance and reporting, and the

templates imposed on courses and research projects (made obligatory through university intranets), are less dramatic but ultimately just as intrusive.

A crucial consequence of corporate logic concerns the sustainability of the workforce. Universities' increased reliance on exploiting a precarious – and therefore disposable – teaching force is a very familiar issue. I won't dwell on it here, except to note that, from the managers' point of view, this tension is now a fact of life rather than a problem to be solved. If some employees find the stress too much, well, there's a McDonalds down the road looking for workers. A structural solution, which would give all university workers job security and address the sustainability of the workforce from generation to generation – that is not conceivable in the modern, agile, competitive, excellence-driven, corporate university.

Economic process

For teaching and research to produce their main effects – students learning at advanced levels, and research-based knowledge advancing – requires the creative and cooperative labour of the *whole* of a complex workforce. The corporate regime means that the benefits from this creativity and cooperation (including the funds it draws in) are parcelled and appropriated in very unequal ways. The startling inequality in staff pay-cheques today is one form of this, but there's more. An institution that could be a resource for the whole society, 'A University for the Common Good' as Richard Hil, Kristen Lyons and Fern Thompson have summarised it, instead becomes a kind of above-ground mine from which particular groups extract advantages.

Many of the details are familiar to university workers. Among them: the ingenious corporations which monetise university research via journal paywalls and biomedical patents; the messy struggles among researchers for personal reputation, grants and promotions; the use of students' fees, notionally paid for teaching services, to fund managers' packages and cross-subsidise other activities of the university; the interplay of universities with banks and other financiers around student loans, building loans and university funding deficits. What matters here is not just what happens within university walls, but also the larger eco-system of relationships among corporations, which now embraces corporate universities.

Cultural project

What gives universities weight in the world, more than anything else, is their engagement in the discovery and broadcasting of truth. (If you are wary of the concept of ‘truth’, substitute ‘accurate knowledge, careful critique and deep insight’.) It is well known how this work gets interrupted or distorted by external forces such as censorship, funders’ interests, ‘Intellectual Property’ laws, paywalls and patents. Embarrassing as it may be, we must now recognise that pressures against truth-telling and critical thinking arise *from the corporate university itself*.

Corporations, an eighteenth-century British chancellor remarked, have neither a body to be kicked nor a soul to be damned; therefore, they do as they like. Universities have a soul: their business is truth, both finding it and telling it. All researchers know how hard the truth is to establish; all teachers know how hard it is to communicate. But the corporate university, like any other corporation, routinely practices deception. I mean routinely: in its advertising, its sloganeering, its concealment of embarrassing facts, its gaming of league tables, its reporting, its manipulation of accountability. All are modalities of fictionalising campus life.

I used to see the corporate makeover of universities as a kind of corruption, in which a gang of entrepreneurs got their pay-off for making universities more useful to the international ruling class, and less likely to produce troublesome student movements such as we knew in 1968 (for most of us, ‘students in 1968’ means Paris, or perhaps New York; but the real crunch came on 2 October 1968 in Tlatelolco, Mexico).¹

I now think the class dynamic of change in universities is more complicated. Among other things, there has been a split in the ruling class. One faction maintains the cosy relationship and easy control we are used to in Australia’s universities. The other faction, well represented in the Orbán, Trump and DeSantos regimes, cares nothing for research or education, but finds universities a handy target for populist attacks and a

¹ For those not familiar with Mexican realities, the Plaza de las Tres Culturas, Tlatelolco, was the site of a large student protest against the authoritarian PRI government, in the lead-up to the Mexico City Olympic Games. The square was surrounded by police and soldiers, who opened fire. The exact death toll is not known, since the regime suppressed information, but it is widely thought that about 300 people were killed – far worse than anything that happened to protestors in Paris or Chicago.

device for cultural control. Neither faction seeks justice in the world. Both desire to legitimate inequality, though they differ about how. There are some conflicting economic interests involved too, if we remember the murderous industries which funded cancer denialism and climate denialism for many years. What is at stake, ultimately, is how reactionary parties and regimes can sustain mass support, after the failure of welfare states and state-based development strategies in the late twentieth century.

Thinking about futures

Abolish universities?

Most of us know about contemporary abolitionist movements, especially in the United States, which oppose other state agencies that are having toxic effects: police forces and prisons. These are inherently violent institutions, mostly targeting working-class populations and historically repressing working-class movements. They were deeply involved in colonialism and are chronically racist today. Socialists have long argued for abolishing armies, too. Military forces are widely used for repression, generally causing far more death and destruction than they prevent.

Universities are not often seen in the same light. But all these institutions involve delegated forms of state power; and they have all become mixed with the market economy in the neoliberal era. Witness the private prison industry, mercenary armies such as Blackwater or the Wagner group, and the private ‘security’ industry which is now bigger than government police forces. It’s not surprising that some critics have applied abolitionist ideas to universities.

The best-known are Fred Moten and Stefano Harney in the United States, who published an influential essay ‘The University and the Undercommons’ in 2004, reprised in a book in 2013. They saw US universities as so deeply contaminated with white supremacy and capitalist exploitation that abolition was the only adequate response. Moten and Harney wrote in sweeping cultural-studies style. More recent abolitionist writers (Boggs *et al.* 2019) have paid more attention to the details of US university history and the current economics of universities. But they haven’t, as far as I know, turned their ideas into a practical agenda of abolition.

The decisive voice on abolition is surely that of the social groups who were historically shut out of universities, or who are being shut out now. For a great many people, and for generations past, access to flawed universities has been better than access to none. Not just for personal gain, either. Access is also desired for group benefit, and for collective sharing in the social treasure of organised knowledge.

We can see this desire most clearly in the situations where access to universities has been most brutally denied. As I mentioned earlier, every university in Gaza has been wrecked. The surviving heads of the three biggest universities have recently issued a statement saying that some teaching has continued, in unimaginably harsh conditions. They argue that renewal of higher education is ‘vital to the survival and long-term future of the Palestinian people’. In 2022, the Taliban regime in Afghanistan banned half the population from universities. They had previously closed secondary schools for girls, stopping them from qualifying for university. Did women want higher education? When they had the offer, between 2001 and 2021, Afghan women’s enrolment in higher education had increased spectacularly, almost 20 times over in two decades. There is no question about the desire.

Re-make them?

If we hope to respond to this desire without reproducing the flawed institutions that we currently have, plainly we need an agenda for practical change. I guess any group of people involved with universities has reforms they would like to see, starting next Monday. Here is my own 9-point list, thinking about the Australian context:

1. Election of Vice-Chancellors, Deans and University Councils. A little industrial democracy never went astray!
2. Cap salary differences in universities. No salary should be more than twice the average salary of all higher education workers. Eliminate ‘performance bonuses’.
3. Start now to reduce the proportion of casual teaching staff *and* of outsourced labour. Put IR resources into designing credible career pathways for *all* categories of staff.
4. Start immediately to roll back student fees; and announce a target date for abolishing fees.

5. At the same time, start negotiating a long-term Higher Education guarantee, as a social agreement on the sector-wide public funding of HE institutions.
6. End the incredible waste of labour in the ARC/NHMRC system; put at least 50% of research funding into block grants that are made available to *all* research-qualified staff.
7. Ban payments to corporate consultants, ban university advertising, and ban complicity with higher education ‘League Tables’ (and, if KPMG come onto campus, let down their tyres).
8. Revive University Extension programmes, with the responsibility not only to teach in decentralised settings, but also to *learn from* social groups and cultures currently under-represented.
9. Put expanding resources into LOTE teaching and learning in all universities and colleges.

This list is not entirely random. The proposals build on the picture of major contradictions in the university sector that I sketched earlier. Acting on those contradictions can take shape as practical policies and institutional actions. We should try to identify actions which have a capacity to generate longer-term transformations – an approach that used to be called ‘revolutionary reforms’. Even in the heat of policy debates, it’s important to remember the long-term goal of more democratic universities, better grounded in social realities and collective needs.

And beyond that, in the blue sky?

I offer no blueprint here, but I do want to encourage inventiveness. The long, global history of higher education is rich in alternatives and inspiration. There have been anti-colonial universities, underground universities, labour colleges, Indigenous universities, women’s universities, peasant education movements, teach-ins, free universities, people’s science movements, radical student movements on every continent, radical teaching programmes and departments, and academic dissenters of many stripes. Political Economy at the University of Sydney is part of a grand tradition.

This lecture memorialises Ted Wheelwright, a pioneer of research on Australian capitalism, a man who kept socialist ideas alive in this university during the years of the Cold War; and who saw his influence

grow when new generations arrived. I knew Ted a little, and I end my lecture in his cheerful spirit, with three examples from the history of radical invention in advanced education.

The first example is a little over twenty years old. When Hugo Chávez was elected president of Venezuela in 1998, one of his projects was to widen higher education access on a massive scale. The main vehicle was the new Bolivarian University of Venezuela [UBV], launched in 2003. It tried to ground higher education locally in peasant, working-class and tribal communities, spreading 1,800 local classrooms across the country. The university provided bridging courses, free books and free meals. Curriculum and pedagogy were to be re-thought. Local social problems were made the focus of study, and university teachers were supposed to ‘accompany’ students’ learning (it sounds better in Spanish!), rather than lecture at them. That was a large agenda, undertaken in haste, and it hasn’t gone smoothly. UBV has faced academic and political opposition, and it seems that the classes haven’t generated the excitement that was hoped for. The government is authoritarian and unstable. So UBV may not last much longer. But it has been a conscious attempt to confront one of the central problems about university systems worldwide.

My next story concerns a much smaller but also ambitious project: the Highlander Folk School. This was set up with a small staff in rural Tennessee in the depth of the Great Depression, partly on religious inspiration. The idea was to provide ways for poor farming communities to reflect on their own conditions, trust their own experience, and develop community action. Highlander soon connected with the CIO (the more radical of the two trade union confederations at the time), which was starting to organise workers across the American South. For ten years, Highlander became an important centre of union education and development, offering residential schools, local courses, and other support. This link was broken in the massive right-wing backlash in the early years of the Cold War. But Highlander was already pioneering racial integration in its courses. In the 1950s it became a major resource for the Civil Rights movement, providing education and research for activists across the Southern states. It became important enough that segregationist politicians made a sustained attempt to destroy it, finally shutting down Highlander’s original organisation in 1961. But Highlander continued in other forms and it still does. It’s a wonderful example of how post-school education can connect with social movements.

My third example is now a hundred years old. In the mid-19th century, the British regime set up European-style universities and colleges in India, as they did in Australia and other colonies. In 1921, Rabindranath Tagore, poet, novelist and public intellectual, set up a different kind of college in Bengal, which he called Visva-Bharati. It was linked to a rural school that taught in the local language, but the college attracted students from other parts of India too. Tagore rejected the Eurocentric curriculum of the official universities. He did not reject European culture and science. Rather, he conceived Visva-Bharati as a meeting-place of civilisations – Indian, Chinese, Tibetan, Islamic and European – and invited intellectuals from other countries to participate. I think of Visva-Bharati as a first attempt at a post-colonial world university. It struggled financially, but survived, and after independence became part of the Indian public university system. I hope it survives the current Hindu-supremacist government's attempt to impose their agenda on India's universities.

Problems about universities can feel small compared with the problems of nuclear war, dictatorship, or mass poverty - and less urgent than genocide, the revival of patriarchy, or climate change. Yet universities matter. They are now mass institutions, and they are the main site where intellectual work on those pressing issues is done. I don't regret having spent my working life in universities, though I would rather be handing them on in better shape to the next generations. Best wishes and solidarity to all of you who are carrying the work forward. Be realistic, be bold!

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BOOK REVIEW

Graeme Turner

Broken: Universities, Politics and the Public Good

Monash University Publishing, Clayton Victoria, 2025, 89pp.

Reviewed by Joel Griggs

The field of higher education studies has recently become in vogue. Not just in the broadsheets but within the academy too, researchers and writers are beginning to blow the lid on what many say is a crisis of higher education. The author of this new book is a seasoned academic whose work seeks to shine another fog light upon a dark horizon.

Broken attempts the difficult task of charting 40 years of university mismanagement and distilling it into an accessible form in a short book, as part of Monash University Publishing's *National Interest* series. Turner paints a familiar picture: universities have become places of fear, burnout, and institutional uncertainty, where academics are living among the ruins of a broken system that is getting worse. Writing from the vantage point of over 40 years in academe, Turner explains how the University has effectively become a victim of its own lack of identity. Before the 1980s, a clearer vision existed of higher education as a public good, a view that was shared broadly across many interest groups, including politicians, blue-collared workers and employers. Back then, universities existed in a 'binary system' alongside the now-defunct Colleges of Advanced Education (CAE). The universities handled research and teaching a traditional suite of university degrees, while the CAEs provided the more vocational training and were not meant to take on research.

That delicate ecosystem of funding arrangements and tight control of student places ultimately failed because of the structural impetus created towards competition between universities and the CAEs. Turner, like many others in this field, locates the point of rupture in the 1980s when John Dawkins, as Minister for Education in the Hawke government, drove a major reform process. Perhaps a little too charitably, Turner suggests that the long-term consequences of the Dawkins reforms were potentially

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unintended, but he argues that, nonetheless, they set the stage for decades of government divestment from universities and led to the loss of university identity as a public good.

Having established this well-known history just before the book's halfway point, Turner uses the rest of *Broken* to discuss what happened during the subsequent decades and to offer some possible solutions. The Howard government's contribution to divestment gets an early mention but Turner's main focus is on more recent issues, such as the deliberate philistinism of the Morrison government and its disastrous Jobs-Ready Graduate package; the imposition of an audit culture and the burnout caused by the burden on academics of unnecessary (and largely unsuccessful) grant chasing; the surge of corporate executives being appointed as Vice-Chancellors; and, of course, the unfettered proliferation of casual and fixed-term labour. All these issues are discussed in surprising detail for such a short read; and all are treated as part of the causes and effects of the current crisis.

Turner avoids the simplistic explanations that plague the various government-commissioned university reviews, which, he notes, often exclude students and academics, as if the University was nothing more than an employment opportunity for consultancy firms. Although there is a distinct materialism to Turner's methodology, however, there is little emphasis on higher education's relationship to the broader shifts in Australia's political economy. The clear lacuna is that the Dawkins reforms happened in tandem with the Hawke government's Accords, ostensibly controlling inflation processes affecting prices and incomes across the economy but also weakening the political economic position of organised labour. Recognising that, the connection between the rise of neoliberalism and universities losing their status as a public good would have been brought into sharper focus and had a stronger methodological foundation.

Broken is not a work of theory though and its description of the key issues of current concern serves its purpose. It enables Turner, moving beyond doom and gloom, to offer his insights into how at least some of these problems might be remedied. Ideally, according to Turner, the current higher education system would be dismantled in its entirety and rebuilt from scratch, but that is only achievable, he says, with expansion in government funding well beyond its current level of 35-40% of universities' total spending. Dismissing this as unrealistic, Turner offers a

more piecemeal approach, providing some potentially more politically feasible suggestions. Ending waste in various forms—such as eliminating the unnecessary duplication of departments and research institutes that are close to each other - is one such avenue. Another is a return to something resembling departmental block grants which would allow academics to spend less time chasing competitive research grants. Turner also argues, in line with the recommendation in the recent Universities Accord, that the creation of an Australian National Tertiary Commission is necessary to guide a national strategy for universities and re-establish their identity as a public good worthy of funding in their own right. Decasualisation, too, is mentioned as a realistic and urgently needed reform, one that Turner couples with the need to provide real career pathways for junior academics and university workers. More generally, Turner is explicit that economic competition and market logic must be ejected from higher education altogether.

Broken concludes with an eloquent quote from – of all people – John Hewson, the leader of the Liberal party in the 1990s before Howard re-took that role. It underscores Turner’s central argument about the University as a public good, leaving the reader with a clear message that we should all be taking to heart: ‘We have lost sight of the real purpose of education’ (Hewson, cited in Turner 2025:71). *Broken* is recommended as an accessible starting point for re-thinking that purpose and how best to reclaim that mission.

PROGRESS IN POLITICAL ECONOMY

The *Progress in Political Economy* website has become a staple of critical political economic analysis – both in and beyond the academy.

Its centrepiece blog features contributions on a range of topics in contemporary political economy.

In addition, the site also features a complete, freely available collection of the *Journal of Australian Political Economy*; updates on the annual E.L. ‘Ted’ Wheelwright Lecture and other forthcoming events; information about the Progress in Political Economy book series published with Manchester University Press; and many other useful resources for political economists.

Visit: <https://www.ppesydney.net>

REVIEW ARTICLE

CLIMATE CHANGE IN AUSTRALIA, OCEANIA AND THE WORLD

Hans Baer

Climate change continues to be a major concern in Australia and in Aotearoa New Zealand, while many South Pacific-island countries face the threat of total or partial inundation due to rising seas spurred by climate change. This essay examines seven recent books that are relevant to these regional and global concerns.

The 2019-2020 megafire

2019 was reportedly the hottest record year in Australia, following a three-year drought. Starting in June of that year, a megafire impacted large portions of southeastern Australia, with more than 2000 fires aflame in New South Wales by December and other fires alight in South Australia, Tasmania and Victoria, finally petering out in early 2020. Originating from a seminar on the megafire in late 2021, Peter Christoff (2023) has edited an anthology titled *The Fires Next Time*, chronicling its impacts, the responses and implications for megafires in the future.

Part 1 ('What happened') comprises two chapters. In the first, Tom Griffiths observes that Australia has a long history of bushfires; and he asserts that Australia scholars of fire need to work at three temporal scales: (1) the 'deep-time environmental and cultural history of the continent'; (2) the century-scale history of [European] invasion'; and (3) the 'long future

Baer, H. (2026)
'Climate Change in Australia, Oceania and the World'
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of climate-changed nature and society' (p.49). Like others, Griffiths argues that 'Indigenous cultural philosophies and practices have much to offer all Australians' (p.48), arguing that we must 'allow Indigenous fire practitioners to take the lead' in addressing how to combat bushfires.

In chapter 2, Michael Grose, Andrew Dowdy, Andrew King and David Karoly report that the Australian land mass warmed by 1.44 (+/-0.24)°C between 1850 and 2011-2020, with most of this warming occurring since the 1950s (p.56). They add that the 'Black Summer Fires released around 715 million tonnes of CO₂ into the atmosphere' (p.61). They acknowledge that Australia's fire weather 'has become more dangerous owing to human influence on the climate system' (p.76) but don't point to the differential responsibility in this regard, both within and outside of Australia'.

Part 2 ('Impacts and responses') has five chapters, beginning with an assessment of 'emergency responses and the fire services' by Greg Mullins. This observes that Australian bushfire fighting requires cooperative arrangements between various land management agencies, including national park services and forestry agencies, volunteer services, and urban services, based in various states and territories. His call for a bipartisan approach in mobilising against climate change is unfortunately hampered by climate denialism within the Coalition and by the Labor government continuing to approve new fossil fuel projects, despite its claims to be taking serious actions on climate change by gradually shifting to renewable energy sources, especially solar and wind.

In chapter 4, Brendan Wintle and Libby Rimpff assert that actions based on inadequate information failed to protect the biodiversity of native animals and native plants prior to and immediately after the 2019-2020 megafire; and they say that, facing the inevitability of more megafires, good planning to protect biodiversity is essential. Then Robyn Eckersley in chapter 5 picks up on the earlier theme of divided responsibilities for fire management between Commonwealth, state, and local governments that all too often result in uncoordinated efforts. She says that, unfortunately, *responsibility displacement* (p.142) constituted the leitmotif of the Morrison government when it denied, ignored or downplayed 'any linkages between the fires and government policy' in 2019-20 (p.142). In chapter 6, Christine Li, Toms Kompas and Pham Van Ha report that the Black Summer fires resulted in direct costs of \$10.2 billion and indirect costs of \$54.2–99.5 billion, adding up to a total cost of \$64.3–109.6 billion. Then, in chapter 7, Sotiris Vardoulakis, Iain Walker and Sophie Atkin

discuss the direct loss of life and injury caused by the fires, along with smoke-related and mental health impacts. They call for careful public health preparedness, including air quality reporting and exposure reduction measures in the case of future fires.

Part 3 of the book is on 'Looking forward'. In chapter 8, Peter Christoff argues that Australia is 'part of a global society increasingly threatened by substantial new human-generated global risks', including environmental, health, economic, military, and geopolitical ones that 'arise from the legacies of Empire, hyper-industrialisation, hyper-consumption and militarisation' (p.211). In his view, Australia's Black Summer constituted a climate emergency created by a larger global crisis. Christoff argues that the Australian state must transform itself into a vigilant climate state which seeks to mitigate, adapt to, and address the loss and damage resulting from climate change. Then in chapter 9, Michael-Shawn Fletcher, Rodney Keenan and Kevin Tolhurst review Indigenous land and fire management before British invasion, the changes in fire management since European invasion, the development of Western bushfire science, and current forest and fire management in Australia. They posit the way forward in terms of effective fire, forest, and land management requires 'committed leadership, trust between governments and Indigenous knowledge holders, bipartisan political support and long-term funding models' (p.251).

In chapter 10, David Schlosberg and Danielle Celermajer delineate three predominant climate imaginaries: (1) the imaginary of wilful ignorance; (2) the imaginary of transcendent technofix; and (3) the imaginary of doomism. The imaginary of wilful ignorance consists of two subtypes: (a) the wilful ignorance of science that was manifested by successive Coalition governments in their refusal to listen to climate scientists and experts, along with denial and delay of 'any plan to create environmentally, economically and ethically viable to transition' (p. 259); and (b) the wilful ignorance of community knowledge or the 'exclusion of the knowledge and normative practices of local communities that are now actually suffering from the reality of climate change' (p.259). The imaginary of the transcendent technofix refers to the 'fantasy of technological intervention, the preservation of existing systems and ways of life through the shift to a more ecologically aware and attuned capitalism, clearly illustrated by the top-down ecomodernist and geoengineering movement' (p.263). Finally, the imaginary of doomism refers to the 'fantasy of apocalypse and ecological and social collapse' (p.264). As a practical counter movement, Schlosberg and Celermajer

discuss the alternative, grounded imaginaries that have emerged in many communities and ‘are rethinking and redeveloping systems that deliver basic needs’ (p.268), such as Indigenous initiatives, ethical supply chains, and regenerative farming. Unfortunately, they don’t mention the eco-socialist, eco-anarchist and de-growth imaginings that sadly operate on the margins of the larger society.

In an Epilogue to the volume Peter Christoff concludes that ‘new patterns of fire management must emerge across Australia’s varied ecological landscapes. Changing the frequency, timing and intensity of fuel reduction activities, trying to ensure the best possible protection for ecosystems and species as well as human life and property, requires careful observation, and this too will take time to develop’ (pp.290-1). Ultimately, the larger question is whether Australia and the world put measures in place that not only adapt to climatic disasters, such as bushfires or wildfires, heat waves, cyclones and floods, but mitigate against them in radical ways.

Oil production and opposition to it in Australia

In terms of fossil fuel production, Australia is particularly noted for its coal and natural gas production, not oil production, although it is the world’s 20th largest oil exporter and vied until quite recently for being the world’s largest top exporter of liquid natural gas (LNG). Royce Kurmelows (2024) in *Slick* explores what he dubs ‘Australia’s toxic relationship with big oil’. He begins his engaging story with an account of his own attendance (as a press person) at an annual conference of the Australian Petroleum Production and Exploration Association (APPEA) in Brisbane in May 2022. Its gala dinner was attended by politicians including Coalition resources minister Keith Pitt, future ALP resources minister Madeline King, former foreign ministers Julie Bishop (Coalition) and Stephen Smith (ALP). Kurmelows views this as illustrating ‘overlap between government and industry – a state of affairs some might call “state capture”’ (p.9).

Tracing the origins of these industry-state links, the book harkens back to the Chifley ALP government in postwar Australia that wanted to encourage ‘energy independence’ through the establishment of a domestic oil industry and even ‘flirted with the idea of a national, publicly owned oil company’ (p.62). The APPEA was begun to campaign for the creation of a privately owned domestic oil industry. It established an international education committee to provide it with links to Australian universities,

following the lead set long ago by Australian mining companies in funding a university chair of economic and mining geology at the University of Adelaide in 1949. Robert Menzies and his prime ministerial successors developed a cosy relationship between Coalition governments and the oil industry (p.93). In contrast, Rex Connor, minister for minerals and energy in the Whitlam government, was feared by the oil industry due to his desire to create a public-owned resources sector, although Kurmelows asserts that he was 'perhaps more pro-oil than oilmen, more pro-gas than gas men, and more pro-coal than coal miners' (p.94).

Like the coal, coal-seam gas and LNG industries, the Australian oil industry has met opposition from various quarters over the years. The formation in 1966 of the Australian Conservation Foundation (ACF), for example, was partly in response to a series of major oil rig disasters that began in 1950 and continued into the 1960s. More recently, as Kurmelows notes, Fireproof Australia emerged in the wake of the 2019-2020 megafire as a newcomer in the Australian climate movement, pushing for 'a sovereign aerial firefighting fleet, a program to rapidly rehome people who lost their livelihoods in catastrophic environmental disasters, and the smoke-proofing of kindergartens, schools and aged care facilities to protect children and the elderly' (p.253).

Towards the end of his book, Kurmelows describes two conferences in 2023 that neatly illustrate the current state of play. One was held by the APPEA in Brisbane. Speaking at it, the then Coalition leader, Peter Dutton, 'urged the nation's oil and gas producers to attack the Albanese government over its interference in the gas market' (p.282), while Extinction Rebellion and Fireproof Australia mounted a protest outside. The other conference was COP28 in Dubai. Kurmelows, who attended it, notes that, while UN secretary-general Antonio Guterres urged conference delegates to 'end the fossil fuel age', COP28 made 'no mention of oil or gas in the section that was supposed to deal with transition away from fossil fuels' (p.297).

Further lessons from Aotearoa New Zealand

Stopping Oil by Sophie Bond, Amanda Thomas, and Gradon Diprose (2023) is another important contribution to understanding the continuing influence of the oil and gas industries. Aotearoa New Zealand is often considered to be a refuge from the worst of the ravages of anthropogenic

climate change, but its government has continued to permit offshore oil and gas production on the promise of economic growth and energy independence. Contrasting with the anti-coal, anti-coal seam gas, and anti-natural gas stance of Australia's climate movement, Aotearoa New Zealand's climate movement has therefore been more focused on stopping deep sea exploration and drilling. Not exclusively though: the Coal Action Network Aotearoa, established in 2007, and the Maori- and community-led activism that emerged during 2008-2017 framed around the notion of *environmental justice* which Bond, Thomas and Diprose define as the 'ability to engage in active and robust debate about issues surrounding sustainability' (p.2).

As the authors observe, 'there are huge, vested interests in maintaining the economic and social systems that maintain such privilege – namely capitalism and colonialism – that continue to drive climate change' (p.3). Drawing from their engagement with Oil Free and the broader climate justice movement in Aotearoa New Zealand, they identify four recurrent themes in attempts to legitimise oil and gas exploration. These are that it will contribute to economic development; that it has potential as a useful resource; that oil and natural gas are under-utilised and under-developed resources; and that technology, best practice, and risk will protect the environment (p.40). These are the viewpoints needing to be challenged.

In a similar vein, the authors identify five characterisations of climate activists that recur in the content of mainstream newspapers' reports on opposition to oil and gas exploration. These are that activists are uninformed about risks; they interfere with legal activities; they endanger themselves and others when protesting at sea; they are hypocrites, greenies and hippies; and they are a vocal minority while 'silent majority' supports government decisions on this issue (p.41). Supplementing those denigrations and attempting to secure to secure business-as-usual, the oil and gas industry has relied on Thompson and Clark, a private security agency engaged in surveillance activities (p.67) and has received support from the police as an arm of the state. As the authors observe: 'Policing by force may represent a barrier to sustained politicisation for many people, like those activists targeted by pernicious prosecutions' (p.83).

Digging yet deeper, *Stopping Oil* delineates four key dimensions of contemporary capitalism that reinforce this lack of care and responsibility for the environment. First, 'a long history of separating nature from human activities and treating the natural environment as either resource to extract,

improve or add value to and sell, or as a pollution sink'. Second, 'neoliberal practices, policies and forms of governing across society [emphasising] individuals over collectives'. Third, a responsibilisation discourse that makes the 'broader system that creates inequalities and environmental degradation invisible'. Fourth, a discourse of individual responsibility that 'works against recognising who and what is responsible for climate change and mitigating its impacts' (p.86-88).

As Bond, Thomas, and Diprose emphasise, the climate justice movement in Aotearoa New Zealand is quite disparate, consisting of those such Extinction Rebellion who are engaged in non-violent direct actions; and those who lobby politicians to promote climate-friendly policies and legislation. While some climate justice activists are critical of the larger NGOs, such as Greenpeace, for becoming coopted, the authors contend that 'large NGOs like 350 Aotearoa (350.org's Aotearoa branch) and Greenpeace Aotearoa play a crucial role in coordinating some climate movement actions, and often in resourcing or supporting actions like the ANZ blockades' (p.98). It appears that the climate movement in Aotearoa New Zealand has been more successful in curtailing fossil fuel extraction than the Australian climate movement has been in this regard under both Coalition and ALP governments. When Jacinta Adern was Prime Minister, the government banned oil and gas exploration in the Exclusive Economic Zone, except for onshore production in Taranaki on the west coast. Despite this, it reportedly remains the third highest *per capita* emitter among Annex I countries, behind the United States and Australia (p.104).

Carbon tax (again)

Meanwhile, in Australia, economist Ross Garnaut (2024) has tried to keep the focus on taxing carbon as the central element in climate change mitigation. His latest book is called *Let's Tax Carbon*. Introducing it, he states that it is 'the last in a quintet of books since Australia turned away from nearly a quarter-century of exceptional prosperity eleven years ago. All five books discuss the links between zero-carbon transition and Australian economic performance. The links between the transition and living standards have come to be understood better over time as we have made our way through these eleven years' (pp. 2-3). His latest contribution to that allegedly 'better understanding' mainly reinforces extant ideas: 11 of the chapters in the new book substantially reproduce public lectures,

speeches and journal articles that he has previously presented or published. It is mainly in his concluding chapter ('Looking forward: building the Superpower and restoring prosperity') that we see some fresh material where he 'tells the story of Australia's partial reset as happening during the first two years of the Albanese Labor government' (p.7).

Garnaut asserts that the 'Albanese government approach has been generally cautious and incremental, leaving much of the heavy lifting to future parliaments' (p.285), whether they be Labor or Coalition governments 'supported by some combination of others in the House of Representatives [that] will have undivided responsibility for completion of Australia's reset for prosperity and building the Superpower' (p. 287). As in his earlier books on policy to address climate change, Garnaut continues to advocate the embrace by governments of some form of carbon pricing, asserting that it is essential to 'getting the balance between state intervention and market exchange' (p.315). Like other Australian technoptimists, such as Saul Griffith (2022) and Alan Finkel (2023), he operates on the premise that both Australia and the global economy require not only a lot of energy but growing amounts of energy, in essence operating under the parameters of what has commonly been termed *green capitalism*.

Regional energy transitions in Australia

The latter feature is also evident in a new book on regional energy transitions in Australia, co-edited by Gareth Edwards, John Wiseman and Amanda Cahill (2025). The introductory chapter says that the first clear-cut indication of an energy transition from fossil fuels to renewable energy in regional Australia harks back to 2016 when the French multinational Engie announced its intention to close the Hazelwood coal-fired power station in Victoria's Latrobe Valley. The regional energy transitions then emerged from 'discussions and collaborations between labour, community groups, environmental groups, industry and local state governments' (p.2). In the 2022 federal election climate change was a leading election issue, particularly for the ALP. By contrast, the federal election of May 2025 saw climate change relegated to the sidelines with 'cost of living' as the primary issue emphasised by both the ALP and Coalition. Edwards and Wiseman maintain that the potential for job creation has been central to the case for an energy transition, becoming a stance adopted by groups as diverse as Beyond Zero Emissions and the Business Council of Australia.

Case studies of the energy transition in five regional centres take up most of this quite concise book. In the first, Lisa Lumsden and Linda Connor maintain that the Repower Port Augusta Alliance, which involved 'local government, business, unions, health and environment organisations' (p.26) set the pace in the early 2010s for the rest of South Australia, making it the only state to have successfully made the transition from fossil fuels to renewable energy. They say, however, that, in developing renewable energy facilities in Port Augusta, much of the construction work was done by labourers from outside the community, such that the energy transition 'has made a minimal long-term contribution to the material well-being of Port Augusta' (p.43), particularly its First Nations people.

The second case study turns to the situation in Victoria's Latrobe Valley. Dan Musil and Elianor Garrard describe the attempted energy transition there which has entailed actors including the federal government, the state government, local governments, community organisations, labour unions, an array of environmental NGOs (including Environment Victoria, Environmental Justice Australia, Friends of Earth, the Australian Youth Climate Coalition, and 350.org), and the University of Melbourne and RMIT. The authors observe that, while industry initially proved to be a hindrance to the energy transition, Engie eventually commissioned a large battery at the Hazelwood power station site. Pointing to modest successes, the authors state: 'The Valley now hosts several successful installation businesses and small-scale renewable manufacturers. There is \$54 billion worth of large-scale renewable projects currently in development or planning in the wider Gippsland region' (p.53). But caution is also evident in the authors' warning that the coal-powered plant closures expected soon will require the Latrobe Valley's future as a renewable energy hub to have 'on-going, well-resourced planning and coordination' (p.62).

The energy transition in the regional town of Collie (population 8,812) in the southwest region of Western Australia is the focus of the following chapter by Naomi Joy Godden and her team of thirteen collaborators. In 2017, the Western Australia government decided to retire the three state-owned Muja and Collie coal-fired power stations by 2030: two units of Muja were retired right away in 2017. Godden et al. report that: 'In 2020, a Just Transition Working Group (JTWG) and the WA Government developed *Collie's Just Transition Plan* to fund and implement a just transition for affected workers and the wider community away from its economic dependence on coal' (pp.69-70). To date, however, the transition plan has failed to include local Wilman Traditional Owners, leading the

authors to emphasise that 'Country and First Nations peoples in transition could help address the myriad social justice and human rights issues that First Nations peoples experience due to ongoing impacts of colonisation, social exclusion and discrimination, and facilitate a programme of reparations' (p.87).

In the next chapter, Warrick Jordan, Kimberley Crofts, and Liam Phelan examine the energy transition in the Hunter Valley of NSW, a long-time coal mining region. Responding to the intention announced in 2015 by energy company AGL to close its Liddell coal-fired power station, the Hunter Energy Transition began a 'company-state-university coordination effort' (p.100). The authors note that: 'The election of the federal Labor Government in 2022, including a former coal minister to the seat of the Hunter, marked the return of federal efforts to balance emissions reductions and the value of mining and industry to regional Australia, through a national emissions reduction scheme, regional industry policy and the creation of a national Net Zero Authority. This was followed in March 2023 with the new state Labor government committing to establishing a regional Hunter Authority to manage transition' (p.103). As the authors concede, however, the Hunter Valley's energy transition is a work in progress, with no clear end in sight. As elsewhere, the Hunter is struggling with how to implement an energy transition, one that addresses 'questions of responsibility, justice and action that go with it' (p.113).

In the book's final case study, Amanda Cahill examines the vexed issue of transforming Gladstone in Central Queensland from a carbon capital to a so-called renewable energy superpower. As a matter of historical note, readers might consult the late Norwegian anthropologist Thomas Hylland Eriksen's (2018) detailed examination of Gladstone as a 'boom town', including aluminium production, the expansion of the port of Gladstone to accommodate the export of LNG, the impact of the East End limestone mine and shale oil production on agriculture, and community responses to ecological damage in the Gladstone region. Central Queensland has served as key focus of climate activism 'since the Indian conglomerate Adani announced plans to develop a massive new coal mine in the undeveloped Galilee Basin in 2010' (p.121). As an effort to assuage protesters, in 2020, the state funded an NGO, The New Economy (TNE), to convene energy transition workshops in four regions, including Gladstone. Not surprisingly, as Cahill reports, most of the attendees at the Gladstone workshop 'were drawn from heavy industry, energy companies, or different levels of government' (p.123). In the wake of the 2021 Central

Queensland Energy Futures Summit, the ‘Gladstone Regional Council began an 18-month-long participatory planning process in partnership with TNE to develop a ten-year Gladstone Region Economic Transition Roadmap’ (p.126). Since the 2022 federal election, Gladstone has taken centre stage in discussions about how Australia could achieve the net zero target by transitioning renewable energy and supposedly green industries.

In pulling together these five regional case studies, Edwards, Wiseman and Cahill lament that, as the energy transitions have begun to take shape, ‘justice has slipped out of focus’ (p.142); and, despite the Albanese government’s investments in renewable energy projects, it has failed to ‘curtail Australia’s massive coal and gas exports’ (p.144). Indeed, the government has approved numerous new fossil fuel projects. Only time will tell whether it will develop the fortitude necessary to revive its commitments to an energy transition and stronger climate action.

Edwards, Wiseman, Cahill and the other contributors to their anthology frame their analysis of energy transitions largely within the discourses of ecological modernisation and green capitalism, although these terms do not appear in their book. Unfortunately, even green capitalism fails to adequately address the depletion of natural resources and environmental degradation, including anthropogenic climate change; nor deal adequately with social justice issues, such as who has access to energy and other resources and who does not. Just as capitalism operated on other sources of energy prior to the fossil fuel revolution, green capitalism, heavily reliant on a programme of ecological modernisation, will require enormous resources to develop and maintain, thus leading to new resource curses, particularly in the Global South. As Stuart Rosewarne (2022:412) warns, the construction of massive solar and wind farms may result in ‘restricting traditional custodians’ access to solar and wind farms’ and constitute a form of ‘colonisation that is being abetted by federal and state governments in their determination to find a solution to the climate crisis that does not compromise the pace of capital accumulation’.

Climate politics in Oceania

Climate Politics in Oceania, edited by Susan Harris Rimmer, Caitlin Byrne, and Wesley Morgan (2024), consists of essays focusing on the renewal of Australia-Pacific relations in the era of climate change. It brings together analyses from academics and practitioners to ‘delve further into

issues, challenges and opportunities that now face Australia and wider Oceania region' (p.3). Its introduction recalls Prime Minister Albanese's July 2022 declaration to Pacific Island leaders in Suva, Fiji, that the Pacific region is facing a climate emergency, making it the 'first time Australia has officially associated itself with climate emergency warnings, and more importantly, the first time to have done so in alignment with Pacific island leaders' (p.1). Indeed, by working with the Pacific-island states, Australia could strengthen its credentials as a regional power and thus enhance its soft power. Moreover, in terms of the COP process, whereas Australia has tended to be a 'climate laggard', the Pacific-island states have been climate pacesetters in promoting ambitious goals.

Among the essays included in the book is Simon Bradshaw's 'Possible futures: understanding the science and its implications for Australia and the Pacific'. This argues that, given more destructive cyclones, rising seas, ocean acidification, and compounding threats such as food and water insecurities emanating from climate change in the Pacific region, Australia needs to undertake more climate action than it has to date, including strengthening its 2030 emissions reduction target and coming to grips with its status as 'one of largest producers and exporters of coal and gas' (p.37). More than that, it must contribute more to international climate finance, support 'efforts to address loss and damage from climate change', and deepen its 'partnerships at all levels, from working with traditional allies including the United States to develop secure and adequate supply chains needed for rapid transformation of energy systems, to supporting the region's most vulnerable communities to adapt to climate impacts in ways that build upon their local knowledge and strengths' (p.38).

Another essay is by Wesley Morgan, George Carter and Fulori Manoa on 'Pacific perspectives: regional cooperation in a warming world? A willingness to cooperate may be inferred from the longstanding annual meetings of the Pacific Islands Forum at which leaders from Australia, New Zealand and 14 Pacific-island states come together to consider climate diplomacy along with a multiplicity of other issues. However, as the authors say, while the Pacific-island countries have 'led global efforts to tackle climate change' (p.73), particularly acting through the Alliance of Small Island States (AOISS), including brokering the Paris Agreement in 2015 limiting warming to 1.5 degrees, Australia once again sought to 'exercise veto power of Pacific climate diplomacy' prior to COP19; and Australia reacted with panic when the Solomon Islands brokered a security agreement with China in 2022 (p.83).

China's role is a central consideration the essay by Tess Newton Cain, Romitesh Kant, Melodie Ruwet and Caitlin Byrne, titled 'Climate conversations and disconnected discourses: an examination of how Chinese engagement on climate change aligns with Pacific priorities' The authors observe that China 'has stepped up its engagement in the Pacific in Pacific in a bid to build influence in region over the past ten to fifteen years' (p.93). Despite being the world's largest emissions emitter, China has also increased its involvement in climate policy by, for example, creating the South-South Cooperation Climate Fund in 2014 to which it pledged US\$3 billion. Attempting to 'explore and assess the extent to which China's diplomatic effort and development investment in Pacific island nations support Pacific interests, with a specific focus on the collective Pacific ambition for global action on climate change' (p.93), the researchers conducted Zoom interviews with 14 relevant people. The findings indicated 'minimal engagement between China and Pacific island countries in relation to mitigation issues' (p.106), such as in getting China to reduce its emissions. Some interviewees thought it problematic that China, purportedly a 'developing country', competes with small island developing states for the same pot of climate finance (p.107). Nevertheless, in 2021, China established three centres, namely Pacific Island Countries Emergency Supply Reserve, the Poverty Alleviation and Cooperative Development, and the Pacific Island Countries Climate Change Cooperation Centre, to assist Pacific-island states.

Melissa Conley Tylor's essay on 'A climate agenda for Australia's Pacific development, diplomacy and defence engagement' draws on her role in having 'led a program consulting more than 140 experts in Australia and the Pacific region on how Australia can shape a shared future with Pacific across its defence, diplomacy and development cooperation' (p.139). The resulting options paper explored how Australia can be an 'effective climate ally in the Pacific' (p.139), proposing seven pathways to this goal:

- placing the 'effects, impacts and root causes of climate change as Australia's central foreign policy concern in the Pacific' (pp.139-140)
- strengthening energy and climate policies, such as transitioning away from fossil fuels for domestic energy consumption and realising that 'exports of fossil fuels have a limited lifespan and that new sources of export revenue need to be found before demand for fossil fuels in international markets fail' (p.143)

- acting ‘as an ally with the Pacific in international climate diplomacy’ (p.143)
- creating ‘dialogue and building on existing links’ (p.145), including Pacific peoples, Australia’s climate science organisations and Pacific equivalents, and an annual discussion between Australia and its Pacific neighbours in tracking to the UN COP 1.5-degree target
- examining disaster preparedness and response for both Australia and its Pacific neighbours
- assisting its Pacific neighbours to access climate finance
- facilitating immigration from Pacific islanders displaced by the ravages of climate change, particularly those impact by rising sea levels that inundate their communities and undermine their settlement patterns and sense of social cohesion.

To date, Australian governments have been reluctant to grapple with the prospect of climate refugees, preferring to view the migration issue in terms of ‘labour mobility and pathways to permanent migration’ (p.151). Over the long run, however, Australia and other developed countries will have to deal with the broader issue of climate refugees from Africa, the Middle East, South Asia, Southeast Asia, Mexico and Central America. Within the context of the capitalist world system, individual nation states, as well as the UN, operate as border-making institutions that legitimise the exclusion of millions of people from land and resources essential to their livelihood and enforce those exclusions through legally sanctioned violence when needed. Meanwhile, very wealthy people operate in an essentially borderless world that allows them to manage their overseas trades network, spend their money on luxury consumer items and services, and jet around the world as tourists visiting sites not yet despoiled by climatic/environmental change.

Susan Harris, author of the volume’s concluding essay, titled ‘Climate justice and international human rights law: diplomatic implications for Oceania’, digs deeper into conceptions of climate justice. Her preferred one ‘links human rights and development to achieve a human-centered approach, safeguarding the rights of the most vulnerable and sharing the burdens and benefits of climate change and its resolution equitably and fairly’ (p.227). This is the conception offered by the Mary Robinson Foundation, one of several that have domesticated the call of climate

justice activists for ‘system change, not climate change’. However, while Mary Robinson’s book *Climate Justice* (2018) acknowledges the need to reduce social inequality, it fails to confront the drivers of growing concentration of wealth in most countries in the world. One wonders how she can reconcile a desire for environmental sustainability with her membership in the B-team, a group of leaders formed at a World Economic Forum assemblage in Davos that included Richard Branson, an endorser of her book, and the creator of the Virgin Galactica project that promises space tourism for the very wealthy.

Global social transformation for climate change

Broader strategic political questions are more to the fore in the latest book by former University of Melbourne academic Nicholas Low, *Social Transformation for Climate Change* (2024), reflecting forty years of his thinking and writing about planning, state, democracy, social justice, and the environment. While Low expresses admiration for Marx and Engels’ research and passion for social justice, he opts not to look to them for intellectual and political guidance, instead citing Karl Polanyi, Thomas Piketty, Tony Judt and others, including the American political pluralist Robert Dahl, as his intellectual mentors. The result is an engaging *tour de force* on connecting climate transformation with social transformation.

Low’s opening chapter argues that humanity requires a massive social transformation ‘to manage the costs of climate change fairly and to guarantee democracy and social justice’ (p.3). He appears to view ecological modernisation as an important component of the necessary social transformation, arguing that the technology to make a transition to a ‘low or zero carbon-emitting global economy has existed for years’ (p.6). But his stronger focus is on the social transformation needed to address climate change, requiring actions by governments, nation-states, and international regimes.

Then comes four chapters probing the lessons from the experience of many countries, ranging from Great Britain to Russia, the Nordic states and elsewhere in Europe where various forms of socialism and social democracy have been attempted. Low argues that, unlike in the Soviet Union, a form of socialism was achieved without revolution in various European countries, including the Nordic countries, Netherlands, Britain, France, Germany, Spain and Portugal. Since the bulk of the means of

production remained privately owned in these places, their 'socialism' might be better characterised as instances of social democracy or welfare capitalism. Turning from the state to civil society, chapter 6 then analyses the role that social movements have played, whether providing opposition within repressive regimes or expressing popular concerns 'from below'. The latter includes consideration of the events of May 1968 in France, the anti-poll tax movement in Britain, the influence of Black Lives Matter, the #MeToo movement and the climate movement, described as a 'global movement to pressure governments and industries to take action on the causes and impact of climate change' (p.92).

Having offered these broad political assessments about the state, social movements and societal change, the second half of Low's book focuses more explicitly on the climate crisis. In chapter 7, he refers to its origins in 'the industrial use of fossil fuels to produce energy' (p.99) and notes that the CO₂ level was less than 280 ppm in 1900, rose to about 300 ppm by 1960, to around 300 ppm by 1960, to 330 ppm by 1970, and to 340 ppm in 1980, shortly after the first UN climate conference convened in 1979. Emissions and global temperatures have continued to rise, along with more frequent climatic catastrophic events, despite UN climate actions, including the Kyoto Protocol which took effect in 2005, the *Copenhagen Accord* of 2009, the *Paris Agreement* of 2015 and 29 UN climate conferences. These are matters of fact. What Low doesn't point out is that the UN climate framework is, by and large, bankrupt because it is based upon preserving capitalist parameters of economic growth without recognising the limitations of ecological modernisation in mitigating emissions. A highly developed green capitalist economy would require a great deal of land for solar plants and wind farms and extraction of resources to build and maintain it. Low correctly argues that 'addressing social justice in the age of climate change requires transformational change' (p.110) but the question is *what kind of transformational change*.

Chapter 8 ('Democracy and the international order') mentions a litany of struggles attempting to promote democracy and warns of the rise of 'fake democracies' headed by authoritarian-populist leaders, including Orban in Hungary, Erdogan in Turkiye, Modi in India, and 'perhaps Benjamin Netanyahu in Israel' (p. 117). Low asserts that 'authoritarian-populist governance is a possible precursor of fascism (p. 118), referring to Putin's Russia as a fascist state, although he concedes that its starting of the war in Ukraine was 'driven by the humiliation of Russia by the West under influence of neoliberal regression' (p. 129). In closing the chapter, Low

asserts that the ‘social transformation needed to address climate crisis requires further advances in democracy reaching from local and national levels to institutions of global governance’ (p. 133).

Chapter 9 (‘Inequality and poverty’) brings in Piketty’s research on income, wealth and climate inequalities. Low concurs that the ‘climate crisis is fuelled by the polluting activities of small fraction of world’s population’ (p. 148), with the ‘global top 10% wealth-holders responsible for more than emissions than whole of bottom 50%’ (p.148). This makes the path for social transformation to address the climate crisis ‘far from clear with no simple working model of socialism to turn to’ (p.161); and suggests the need for a ‘multi-faceted alternative’ to be built ‘from many threads of democratic socialism in 20th century and modified for present’.

So, what is to be done? Low’s next chapter (‘Remaking democracy for a world of climate change’) says that a broad-spectrum movement that includes workers, grass-roots actors, elite professionals, intellectuals, political leaders, and social movements is essential to get off the path to climate destruction. On what types of change would it be focussed? Low draws on Piketty’s views about ‘sharing power over decision-making in firms’ (p.169); progressive wealth tax and carbon taxes on emissions; and calls for participatory socialism that allows for ‘greater circulation of power and ownership’ (Piketty 2021:10) along with social federalism, feminism, and multiculturalism. Recognising the breadth of this political economic program, Low draws on Piketty’s proposal for a new model of globalisation based on ‘transnational democracy to make decisions regarding global public goods: protecting the environment, promoting research (including into inequality and poverty), and investigating the possibility of imposing common taxes on income and property, on large firms, and on carbon emissions in the interest of global fiscal justice’ (pp.183-4).

Recognising that the prospects for transformative change with these characteristics are not auspicious, Low’s chapter 11 looks for contributory ‘actions, actors and activists’. Observing that Antonio Guterres, the UN Secretary General, is a ‘champion of social transformation’ (p.191), Low argues that humanity also needs a ‘champion of social democracy to emerge from ranks of national politics’ (p.191). Yet the rise of right-wing populists and neo-fascists, such as Trump in the United States and Putin in Russia, shows the danger of vesting too much authority in champions who espouse nativist ideologies.

Low's final chapter ('What we can learn from the past') argues that: 'While transformations may be devised in detail by intellectuals and implemented from the top by political elites, they are powered and driven by mass movements in civil society' (p.204). This is a strong call for building the momentum from below while strengthening and extending social democratic policies to address the growing climate crisis. Unfortunately, a shortcoming of the book is that, in eschewing Marxian approaches, Low overlooks the extensive literature on eco-socialism or ecological Marxism that has emerged over the past 40 years, much of which seeks to grapple with climate change and contribute to a socio-ecological revolution (Brownhill *et al.* 2022; Engel-Di Mauro 2024).

Concluding reflections

The esteemed Climate Council (2024) gave its imprimatur to the bid by Australia, along with its South Pacific Island neighbours, to host the COP31 conference in 2026, although Turkiye is also still vying to be the host. The last two of the annual COP conferences have been in countries heavily invested in fossil fuel production, while global temperatures and greenhouse gas emissions have continued to rise. Ironically, while seeking international agreement to reduce greenhouse gas emissions, the COPs themselves cause massive amounts of emissions, especially because so many people travel to them by air from around the globe. For instance, the UN COP25 in Paris in 2015 had an estimated 22,000 official attendees, including official negotiators, delegates and aides from 195 countries. Adding the NGO representatives, corporate representatives, climate activists, high school students and many journalists who attended gives a total of about 50,000 people present. Assuming an average 9,000 mile round-trip per attendee, and with most people coming by planes, including corporate jets, some 27 million gallons of jet fuels were consumed, causing about 575 million pounds of CO₂ emissions (Stockton 2015).

Despite the best of intentions of the thousands of delegates at the annual COP conferences, as Wainwright and Mann (2018:31) observe, the more fundamental flaw is that the conferences 'treat capitalism as the solution to climate change'. This tendency also pervades much of the literature, particularly articles, books and reports that look for 'solutions' without adequate examination of the systemic political economic origins of climate change. Kiely (2007:129) argues that that conventional climate regimes

'are too easily guilty of ignoring the uneven development of international capitalism, and therefore the unequal context in which rights, values, ethics and international institutions operate'. The planned transition to a sustainable economy that shifts from fossil fuels toward renewable energy sources will require a high degree of political will at both national and global levels, as well as addressing differential access to material resources around the world.

Humanity is at a crossroads – or, perhaps more aptly put, at several crossings. In one direction there is business-as-usual. A second route that appeals to many politically left-of-centre people requires a switch to some variant of green capitalism. The third option is an eco-socialist route that, while not yet attracting strong attention, should become more sought after as the need for it becomes more apparent to the masses of humanity around the world. In the case of Australia, it will take a real utopian vision to transform the nation from a sunburnt country that's in danger of becoming even more sunburnt to being the 'lucky country' that some, but by no means all, Australians regard it as (Baer 2018, 2022). At the global level, the real challenge – whether one identifies as a social democrat, a democratic socialist, an eco-socialist, an eco-anarchist, an eco-feminist, an Indigenous de-colonialist, or whatever – is how we can get from A to B, that is from a still well-entrenched capitalist world system to an alternative world system based on social justice and equality, deep democracy, environmental sustainability and a safe climate (Baer and Singer 2025).

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REVIEW ARTICLE

HEALTH INEQUITIES IN CONTEMPORARY CAPITALISM

David Primrose

Arnel M. Borras

Health and Health Care Inequities: A Critical Political Economy Perspective

Fernwood Publishing, Halifax and Winnipeg, 2025, 163pp.

During a conversation in Oscar Wilde's *The Importance of Being Earnest* (2005 [1899]:15), the character of Algernon rejects his colleagues' claim to have revealed 'the whole truth pure and simple' by quipping that '[t]he truth is rarely pure and never simple.' This adage is exemplified in Arnel Borras' timely and important new book. Herein, he convincingly demonstrates that health inequities cannot be effectively comprehended, nor tackled, as a purely 'health-related' problem. Instead, they are inexorably interrelated with the dense configuration of socially determined inequalities and power relations marking global capitalism

To wit, on the one hand, the volume makes a conceptual case for introducing greater complexity into explanations of health inequities than is commonly found in extant accounts of the phenomenon. The latter often remain grounded in methodological individualism or, at best, articulate thin social ontologies abstracting from 'big picture' considerations to focus on social processes proximal to individuals. Departing from such

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circumscribed representations, Borras deploys insights from critical political economy – alongside interdisciplinary acumen from political science, history and social epidemiology – to investigate the historically-specific implications of capitalism for health and the pursuit of health equity. On the other hand, building on this formulation, Borras (2025:100) contends that ‘achieving health for all’ requires a multifaceted political transformation beyond tinkering at the margins of this system. Instead, *socialism* is advanced ‘as a social system and way of life’ that may contribute to ‘improv[ing] health equity within and beyond capitalism.’

While these dual themes are certainly far from ‘pure’ and ‘simple’, it is to Borras’ credit that he articulates them in generally clear and crisp prose across a mere 163 pages. Each of the book’s eight chapters effectively combines conceptual reflections from (predominantly Marxist) political economy and theories of policy analysis, alongside a wide range of empirical data and original qualitative research drawn from around the world – with particular emphasis placed on case-studies (e.g. housing and healthcare policies) and interviews (with activists, workers and academics) from Borras’ adopted home of Canada. Although the book progresses rapidly through this material and may have benefitted from elaborating a little more on some themes (see below), it provides an accessible, yet provocative, invitation for scholar-activists concerned with health inequity to explicitly confront capitalism in their research and political activities.

Accordingly, this review reflects on the two key leitmotifs arising from Borras’ contribution – namely, its explicit engagement with the political economy of capitalism and associated praxiological reflections on the need for a socialist alternative – to prompt further debate and discussion on health and healthcare inequities.

Bringing capitalism ‘back in’

Borras’ book presents an unequivocal challenge to conventional representations of health and morbidity within public health research and policy discourse that primarily revolve around *biomedical* and *behaviouralist* explanations (see Chernomas and Hudson 2013:4-5; Birn *et al.* 2017:90-2; Primrose and Loepky 2024:5-6). Within biomedical accounts, ‘health’ is formulated in largely individualised and biological terms as akin to a struggle between individual human bodies and disease, thereby reducing it to an absence of the latter from the former (Engel

2012). Conversely, the body itself is designated as the locus of poor health, whereby risk factors ranging from genetics (e.g. Lakhani *et al.* 2019) to environmental pollution (e.g. Kravitz-Wirtz *et al.* 2018) engender aberrations from its standard biological functioning (cf. Clarke *et al.* 2003; Yuill *et al.* 2011:7-10; Rocca and Anjum 2020; Acolin and Fishman 2023). Interpreting the body as amenable to manipulation via pharmaceutical, surgical, or genetic interventions targeting individual biology, proponents then favour policies to mitigate the threat of risk factors or alleviate their effects, such as distributing public health funding toward hospitals or research centred on developing novel medical techniques and tools (cf. Humber 2019; Rahman *et al.* 2024).

On the other hand, behaviouralist interpretations present health as arising from individual (or household) decision-making and mental models. Ill-health is, accordingly, deemed a product of actors' unhealthy lifestyle choices – such as smoking or eating excessive junk-food – and continuing to pursue such erroneous decision-making in spite of contrary medical advice (e.g. Rippe 2018; Deslippe *et al.* 2023). Securing better health outcomes, in turn, necessitates remedial measures that facilitate individuals to make healthier choices via levers such as education, counselling or incentive-based devices (cf. Korp 2010; Baum and Fisher 2014; Primrose 2024).

Through devising explanatory frameworks and corrective interventions centred on the individual human body and/or mind, both the biomedical and behaviourist approaches decontextualise health from its broader socio-political milieu (Primrose and Loeppky 2024). Conversely, Borras (2025: esp. Chs 1-3 and 6) presents a more holistic conception to argue that individuals' and societies' ability to enjoy a healthy life cannot be reduced to biomedical factors or individual lifestyles alone. Rather, these elements are themselves configured by a multiplicity of social determinants – such as food, housing, employment and working conditions, income and wealth, welfare, education and healthcare – the unequal distribution of which perpetuates health inequities (see also: Bryant 2025).

In making this case, however, the volume transcends much of the extant 'social determinants of health' literature (e.g. Marmot and Wilkinson 2005; WHO 2008) which, while valuably comprehending health as interrelated with such drivers, predominantly overlooks how the latter are themselves determined by 'upstream' structural factors and social relations (Coburn 2004; Primrose and Loeppky 2024). To redress this lacuna,

Borras introduces critical political economy to examine how ‘human beings are inherently social, with lives *shaped by the social relations of production*’ which underprop ‘structures such as the economy, politics, and law, influencing social consciousness which *emerges from material and social conditions of life*’ (Borras 2025:82, emphases added; see also: Mooney 2012; Bryant 2025). This, in turn, renders a research agenda *viz.* health inequities centred on investigating ‘how ideology, interests, and power determine who gets healthy and who does not’, such as via consideration of ‘how integrally imbricated social relations like class, race, and gender affect resource production, distribution and consumption’ (Borras 2025:82). In short, ‘health inequities [are understood to] mainly result from unequal social relations of power shaping the distribution of the social determinants of health among social classes and groups’ (Borras 2025:4).

The conceptual utility of this approach may be understood as twofold. First, the deployment of critical political economy enables Borras to direct his critical gaze toward the perennially ignored elephant-in-the-room in studies of health inequities: namely, global capitalism. Despite abundant historical and contemporary evidence to the contrary (e.g. Sreter 2005; Case and Deaton 2021; Freudenberg 2021; Sullivan and Hickel 2023), mainstream scholarship and policy discourse continue to lionise the latter and its orientation toward perpetual economic growth as having chiefly propelled the substantial improvements in human health materialising since the ‘mortality revolution’ in England during the late-Nineteenth Century (see also: Leys 2009).

Yet, notwithstanding some notable exceptions (e.g. Chernomas and Hudson 2013; Waitzkin *et al.* 2018; Sell and Williams 2020; Cordilha 2023; Fox 2024; Batifoulier *et al.* 2025), recent reflections on the social character of health have tended to displace the contradictory systemic dynamics overdetermining them or, at best, confronted them in disavowed form as pernicious ‘commercial determinants of health’ (CDH). Accounts centred on the latter – constituting the business or industrial strategies, products, and activities that impact public health processes (e.g. Maani *et al.* 2023) – tend to remain steeped in historicist narratives. Specifically, individual opportunistic, greedy corporate actors are framed as contributing to the proliferation of preventable health problems via production and distribution of profitable, yet socially harmful commodities (e.g. tobacco and ultra-processed foods). However, while usefully highlighting the exercise of corporate power and its impact on

public health, this focus on contingent ‘bad apples’ largely eschews examining of how the integral logic of capitalism enabling and compelling their activities is itself ‘rotten to the core’ – that is, the perennial reproduction of capital as ‘value-in-motion’ (Harvey 2017:1), necessitating expanding exploitation and expropriation of human-beings and socio-ecological processes (Fraser 2023).

Instead, Borras (2025:85) places the system and its constitutive social relations front-and-centre of his account: pugnaciously suggesting that ‘Big Capital kills on a massive scale’ due to the orientation of capitalism around ‘profit maximisation and capital accumulation, often at the expense of lives.’ More specifically, the book proffers that ‘[a]t the heart of capitalism is the drive for profit and continual wealth accumulation’, which ‘pushes capitalists toward an endless loop: maximising profit, gathering wealth, and reinvesting capital for further financial gains’ that, in turn, undercuts the socioeconomic foundations of health (Borras 2025:85). On this basis, Borras proceeds to muster a combination of historical and contemporary research to demonstrate the myriad ways in which, within the context of the antagonistic class relations informing the system, capital utilises its structurally advantageous position to effect political and organisational outcomes engendering or underpropping inequalities in the social determinants of health. That is, short of affording causal priority to largely apolitical representations of the latter, emphasis is placed on investigating the embodied structures, ideologies (especially neoliberalism), power, and political struggles that constitute the form and asymmetries marking these social determinants in the first place (see also: Coburn 2010; Primrose and Loepky 2024).

This, then, points to the second pertinent epistemological contribution of Borras’ study: its expansive account of how capitalism drives and augments the social determinants of health inequities. Borras skilfully builds on, and contributes to, a burgeoning Marxist scholarship (e.g. Federici 2004; Fraser 2014, 2023; Moore 2017; Patel and Moore 2017; Bieler and Morton 2024) conceptualising the system as historically dependent on creating devalued and disposable peoples and places – above all, women, nature, and colonies (Mies 2014) – to demonstrate how, ‘infused with colonialism, racism and sexism, [capitalism] shapes unequal health outcomes’ (Borras 2025:83). In particular, the book investigates how the logic of capital manifests through interrelated social structures co-constituting capitalism itself – especially class, imperialism, colonialism, racism, sexism – to produce a complex system in which certain population

segments are actively marginalised, or outright excluded, from accessing elements such as quality and stable housing, healthy food, affordable and effective healthcare, and secure jobs. This, in turn, results in and entrenches ill-health, high morbidity and deprivation amongst these groups, while others are enabled to thrive (Borras 2025:Ch. 6).

Notwithstanding Borras explicitly confronting the causal power of capitalism in producing such health inequities, one significant component of his conceptual framework might have been elaborated more fully. Namely, the book would have benefitted from a more methodical articulation of the *systemic logic* of capitalism itself and *why* this, in turn, promulgates the pernicious consequences for health inequities that Borras details meticulously. The analysis presented in the volume is strongest when detailing the historical and contemporary *impact* of global capitalism on the social determinants of health and its lop-sided implications for different population groups. Herein, when discussing the intricate politics of health policy, for example, the interrelated exercise of power, promulgation of ideology, and struggles arising from the antagonistic social relations constitutive of the system are held aloft as enabling ‘Big Capital’ to disproportionately influence the direction of health policies (Chapter Four), and also disseminate ideas and evidence to inform them in accordance with their interests (Chapter Five). That is, ‘[t]he vast wealth and power of dominant groups [...] sustain health inequities’ (Borras 2025:65).

A cursory glance at the modern political economy of health in light of the global COVID-19 crisis confirms the value of such reflections (e.g. Bambra *et al.* 2021; Di Muzio and Dow 2022; Primrose *et al.* 2024; Bryant 2025). Yet, where do the contradictory *systemic drivers* of capitalism itself – those that both compel and enable the institutionalised exercise of power discussed above – fit into this story? As Marxists such as Postone (2013 [1993]) and Smith (2018) have argued in differing ways, within capitalism the logic of capital as value-in-motion operates as a quasi-autonomous and contradictory form of social domination: binding material reproduction of individuals and social processes to the systemic imperative of intensifying capital accumulation as the self-expansion of value. This dynamic, in turn, proffers the abstract foundations upon which more complex social relations are inscribed, such that its proliferation is predicated on myriad immanent forms of exploitation, extraction and subordination – most obviously, class struggle (within and across countries), grounded in appropriation of produced surplus value (Taylor 2003, 2004). More

concretely, subjugation of use-value to the socially antagonistic logic of generating and circulating exchange value underpins the integral irrationalities of capitalism – in this case, health inequities and ill-health more generally.

Largely absent such considerations, Borras sometimes relies on voluntaristic explanations of phenomena. Consider, for instance, his statements such that ‘the state and its apparatuses care more about making money and keeping the system thriving than using evidence’ to produce health policy (p. 80), and ‘[p]owerful interest groups, like political and business leaders, control much of the lawmaking process to benefit themselves, not the public. Less powerful groups dealing with social and health inequities often lose out’ (p. 66). Following the CDH literature discussed above, such articulations stress the agency and profit-making myopia of ‘bad apples’ in abstraction from the compulsive drive toward capital accumulation, exploitation and inequality generated by the system. As noted earlier, Borras certainly *begins* to touch on such complex questions of agency and structure within the system (especially in Chapter 6), though they might usefully have been elaborated more fully and earlier in the book to frame subsequent discussions about the politics and policy of health inequities.

From despair to hope...and back again?

Building on the preceding discussion, it is prudent to reflect on how Borras frames the *praxiological lessons* arising from his critical political economic analysis. Throughout, he consistently and passionately implores readers to consider the normative implications of adopting the latter. In particular, having primarily attributed the generation and exacerbation of health inequities to capitalism and its constitutive social relations, Borras calls for systemic transformation toward a more equitable and democratic system in the form of socialism. This appeal is developed most methodically in Chapters 7 and 8. In the former, Borras demonstrates how countries with institutionalised welfare systems leaning towards broadly socialist (or social democratic) policies have enjoyed favourable socioeconomic outcomes and greater health equity *within* capitalism, especially relative to those grounded in less egalitarian principles. The chapter then draws on Erik Olin Wright’s (2021) typography of anti-capitalist strategies to proffer that a socialist approach to health equity is

both achievable and necessitates multiple, overlapping political movements within and beyond the state. The latter chapter, then, builds on these insights to reflect on the practical lessons of the preceding pages for health activists. To this end, it combines a broad-ranging political ‘call-to-arms’ toward socialism via ‘informing, educating, advocating, organising and mobilising for social justice and health equity’ within capitalism (Borras 2025:121), with a more concrete list of socialist-informed policy recommendations designed to facilitate systemic transformation (*e.g.* provision of socialised housing and expanding social support systems).

Such sustained reflections on the political need, strategic options and possibilities (and challenges) for socialism are a welcome addition to the volume. This is especially so given the relative dearth of attention accorded to post-capitalist alternatives in the extant literature on health inequity, wherein considerations of praxis (where included at all) tend to be confined to small-scale reforms tinkering at the margins of capitalism, or a few throwaway lines tucked-away safely after the ‘serious’ analysis is complete (*cf.* Waitzkin *et al.* 2018; Adler-Bolton and Vierkant 2022; Thomas 2022; Raphael and Bryant 2023; Primrose *et al.* 2024; Bryant 2025). In this respect, Borras’ book is firmly placed in the fine tradition of institutional Marxist scholarship arising from York University and elsewhere in Canada – exemplified by the late Leo Panitch, Greg Albo, Sam Gindin and, more latterly, Stephen Maher (*e.g.* Panitch 2001; Albo *et al.* 2021). As articulated by its proponents, political economy extends beyond abstract theorisation of universal economic laws or hollow utopianism. Instead, researchers must dive headlong into investigating the political and institutional dynamics of capitalism, the social relations, movements and power struggles therein that configure its direction, and the strategic opportunities for progressive reform and systemic transformation that then arise. Accordingly, history is seen as ‘a process of open-ended eventuation, shaped by human beings and the institutions they create, albeit within conditions not of their own choosing’ (Maher and Aquanno 2022:247).

This formulation, accordingly, takes to heart Romain Rolland’s (1920) maxim of the need to balance ‘pessimism of the intellect’ with ‘optimism of the will’ (see also: Gramsci 1977 [1920]; Panitch 2016). Optimism is fruitless unless it is grounded in reality; yet, to avoid merely wallowing in despair, the intellect must be directed towards pursuing a broader human purpose (Antonini 2019). Analogously, for Borras, making an intelligent, productive contribution to a socialist alternative must commence from a

warts-and-all investigation of health inequities grounded in contemporary neoliberalism and capitalism to determine what needs to change. This, though, must be infused with a belief that such transformations are possible, thereby precipitating efforts by social movements to ‘continually educate, organise and rally workers and the masses for real social change’ (Borras 2025:113) and, thus, search for strategic ruptures in the present to cultivate institutional capacities and creative energies to realise the latter. That is, ‘realising health equity means fighting against capitalism – within and outside the state – to establish socialism’, demanding ‘a combination of information, education, advocacy, organisation and mobilisation for systemic change that will free workers, women, racialized groups and other exploited/oppressed populations from the grips of the capital-state alliance’ (Borras 2025:134).

Without seeking to quash the necessity of such hopeful prescriptions for progressive and radical scholar-activists, Borras’ account begets two interrelated praxiological challenges that might usefully be addressed in future research. First, as noted above, Borras goes to great lengths to discuss myriad strategies and opportunities to mobilise social movements to challenge and transcend the system. Herein, ‘[t]he key to [realising socialism] is harnessing the power of regular people’, given ‘[r]eal change transpires when people unite and decide they have had enough of capitalism’s flaws and harms. Ultimately, it is up to us to push for a better societal system’ (Borras 2025:119).

Yet, this reasoning augers the question: why assume that those whose health and material well-being are most adversely affected by capitalism would seek to *challenge* this status quo at all? Critical political economy often assumes a linear relation between actors’ experience of the contradictions or failures of capitalism and desire for transformative change, such that the objective of (health) activism is framed as enabling political subjects to ‘awaken’ from their ‘false consciousness’ and discern the ‘true’ reality of the system (e.g. Lukacs 1972; Marx and Engels’ 1987 [1845]). For instance, in opining that ‘many workers are *unaware* that the underlying cause of their unfavourable working, living, and health conditions is the system they depend on – capitalism’, Borras (2025:125) reflects that greater ‘class awareness’ is required to ‘address this *flaw in thinking* and *inspire* workers and the masses to envision and strive for a healthier, more equitable world’ [emphasis added].

Somewhat underplayed in this articulation of class consciousness, though, is the *affective* appeal of capitalism itself and, thus, its ongoing capacity to *grip* those encountering its pernicious effects. As highlighted by research from the burgeoning field of libidinal political economy (e.g. Kapoor *et al.* 2023; Kapoor and Fridell 2024), part of the tremendous obstinacy of capitalism, *despite its manifest failings and contradictions*, is that subjects unconsciously *enjoy* the system (e.g. McGowan 2016; Fletcher 2023). Subjects remain libidinally bound to capitalism due to its capacity to exploit our entrenched sense of loss or lack: soliciting and activating our desire for ontological fulfillment via, for example, consumerism and materialism – from cars and smartphones to cheap food and stylish clothes – while never allowing this yearning to be completely satisfied through such means. This partial gratification and *promise* of complete enjoyment in the future (e.g. through irrational consumption of ever-greater material excesses), in turn, provides the subjective foundations for perpetual capital accumulation (Kapoor 2020: Chs 1 and 4; Johnston 2024). Hence, merely speaking truth to power is insufficient to counteract the grip of capitalism on subjects, who may be critically aware of its faults yet – being libidinally enmeshed within the system – continue to *act as if* they did not know *viz.* their consumption habits, political activities and so forth. That is, subjects follow a logic of wilful ignorance Žižek (2007:253) terms ‘fetishistic disavowal’ (see also: Zupančič 2024): “‘I know, but I don’t want to know that I know, so I don’t know.’ I know it, but I refuse to fully assume the consequences of this knowledge, so that I can continue acting as if I don’t know’ (Lacan 1977:230).

Accordingly, it would be prudent for future scholarship to address how health activists might effectively challenge this psycho-social attachment in pursuit of a socialist alternative. Borras implicitly makes an important contribution in conceptualising how this logic may be challenged in one important respect: promulgating a political universalism that cuts across the particularised demands of different social movements via recognising and confronting the antagonistic logic of global capitalism as a common adversary (see also Kapoor and Zalloua 2021; Primrose 2025). Nevertheless, further attention is required to deliberate on how popular disaffection with the system and its underlying antagonisms might be harnessed less toward devising novel techno-managerial means to ‘fix’ it but, rather, toward engendering systemic transformation (see: Kapoor *et al.* 2023:160-4).

This consideration, in turn, points to a second, related praxiological question: why should scholar-activists assume that those disillusioned with the capacity of capitalism to deliver greater health equity will favour *progressive*, let alone *radical* alternatives? Notwithstanding important global trends in social movements pushing the latter over the preceding two decades (see: Bailey *et al.* 2022; Chibber 2025), this same period has witnessed burgeoning political influence and power exercised by Far-Right movements appealing to populations disgruntled with, and feeling marginalised from, extant political economic configurations – including institutions oriented toward provision of public health (Falkenbach and Heiss 2021; Menon *et al.* 2025). Specifically, the pervasive post-political abrogation of responsibility by centre-left political parties for introducing transformative social policies prioritising human well-being (see: Fischer 2020; Conley 2025), and concomitant unwillingness of public health institutions to confront the structural drivers of ill-health and morbidity (Wallace 2023; Primrose and Loeppky 2024; Joppke 2025: Ch. 6), has opened space for *critical* engagement with the health status quo to be increasingly monopolised by Far-Right movements – buttressed by conspiracy theorists such as anti-vaxxers (Stoeckel *et al.* 2022; Backhaus *et al.* 2023; Primrose 2025; Wallis 2025).

Most perniciously, in the crisis-ridden conjuncture of contemporary capitalism, the effects of neoliberalism in eviscerating the socio-ecological conditions of health have been recognised and weaponised by these movements (Stuckler 2017; Falkenbach and Heiss 2021; Labonté and Baum 2021). Draping themselves in populist rhetoric, the Far-Right has increasingly claimed the mantle of offering the *only* political option to redress the systemic inequities and deficiencies infusing extant health systems ignored by ‘establishment’ political figures. This has manifest, most conspicuously, in a strategy of ‘welfare chauvinism’: promising maintenance or augmentation of welfare benefits for core constituencies (‘the people’), while disregarding minorities – most notably, migrants (Greer 2017; Falkenbach and Greer 2018, 2021; Rinaldi and Bekker 2021). Of course, in practice, this has largely led to the expansion and deepening of neoliberalism: cutting healthcare budgets, emasculating health regulations, and undercutting the broader social determinants of health (e.g. reducing public housing programs or welfare provision) (Moise *et al.* 2021; Zabdyr-Jamróz *et al.* 2021).

Simultaneously, despite invoking the need for prioritising transformative measures to bolster human health, Far-Right political figures have frequently translated this into the escalation of, and reallocation of resources toward, redressing alternative political priorities framed as necessary to buttress population health – such as defence and migration (Falkenbach and Heiss 2021). Consider, for example, J.D. Vance's (see Weaver 2023) claim that 'illegal immigrants' are responsible for the opioid crisis in the US. Building on Donald Trump's prior remark that this group was 'poisoning the blood of our country', Vance fallaciously posited that immigrants were trafficking fentanyl into the US across the border from Mexico. Such scapegoating affords the Trump regime a political rationale for bolstering spending on border defences between the two countries. It also allows the Government to assiduously avoid confronting the political economic origins of the crisis: most notably, the corporate operations of Purdue Pharma (who aggressively marketed the highly-addictive narcotic, OxyContin, to GPs and within impoverished regions of the country), compounded by the US' lack of a universal public healthcare system or expansive welfare program (Case and Deaton 2021:esp. Ch. 9; Morefield 2025).

Of course, it is not possible nor necessary for Borras to have considered the nuances of all such phenomena within his deliberately slim and accessible book. Rather, the more general point arising from the preceding two reflections is that health activism oriented around channelling popular disaffection with neoliberal and capitalist health systems cannot *assume* that this will necessarily and spontaneously lead subjects toward pursuit of substantive change, let alone socialist alternatives. In the contemporary context, it is just as likely that the declining living standards and social status of many individuals and communities will continue to be harnessed by the Far-Right toward a politics of *resentment* – less toward global capitalism and its dominant classes than alleged 'external threats' (e.g. foreign governments, immigrants and asylum-seekers) and the 'enemy within' (the political Left, academics, environmentalists, feminists, LGBTI+ communities, religious and ethnic minorities), alongside 'the liberal establishment' accused of according both special treatment (Damhuis and Rashlova 2024; Bortun 2025; Slobodian 2025). Presenting such 'threats' as engendering a burgeoning existential crisis, the Far-Right has articulated an affectively seductive pledge to eradicate them to return society to 'normality' and its former glory: a 'violent reset which restores the traditional consolations of family, race, religion and nationhood,

including the chance to humiliate others' (Seymour 2024:21). For health scholar-activists, then, the challenge becomes how to direct disaffection with neoliberalism and capitalism toward a transformative post-capitalist alternative, while resisting the temptation to assume that the experience of such dynamics will *inevitably* lead to a spontaneous awakening of class consciousness and pursuit of progressive, even revolutionary, praxis (Žižek 2017, 2025; Primrose 2025).

Conclusion

In *Health and Health Care Inequities*, Borras has penned a much needed and important intervention into the often-staid field of studies health policy and politics. It is a fine contribution, both in its own right and as an 'opening salvo' for future research. Accordingly, it deserves to be widely read for its contribution to the nascent, albeit growing literature on the critical political economy of health and health inequities.

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