

Australian households' cost of living soars above consumer price index

By Margaret Rees
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According to the official statistics, a big jump in petrol prices pushed the cost of living up by 0.6 percent in the second quarter of 2019, and up 1.6 percent from a year earlier. In reality, however, recent calculations have shown that the Consumer Price Index (CPI) severely understates the soaring living costs confronting working class households.

Over the past two decades, it is now undeniably clear that a large gap has emerged between the CPI and the standard of living, thanks to skyrocketing prices for essential goods and services, as opposed to prices for discretionary items.

Since 2000, the CPI has risen by 57 percent, but secondary education costs have increased 203 percent, and hospital and medical services by 195 percent. Primary education and preschool costs have risen 159 percent, and electricity by 194 percent. Childcare has increased by 97 percent and housing by 94 percent.

These price increases far outstrip average wages, which are counted as having risen by 78 percent. For working class households, the gap is even wider because the average wage figure is inflated by the rapid rise in incomes in the wealthiest layers of society.

Compiled by the Australian Bureau of Statistics, the CPI measures price changes for a “basket” of goods and services—food and non-alcoholic beverages, alcohol and tobacco, clothing and footwear, housing, furnishings and household goods and services, health, transport, communication, recreation and culture, education, insurance and financial services.

Asset manager Anthony Doyle, from Fidelity International, tracked the price movements in various CPI sub-categories. He documented a stark divergence in price movements between goods and services that most people must buy, and those that are more discretionary, such as clothes, cars, audio visual

equipment, furniture and toys and games.

“It’s very much a difference between what households want and what households need to buy,” Doyle told ABC Radio National “Breakfast.” “The categories that have experienced rapid price inflation, like secondary-education school fees, you pay every quarter, childcare, you pay this week-in, week-out, housing—you can’t avoid that, you need shelter.”

From 2000, clothing and footwear prices fell by 10 percent, cars by 10 percent, games and toys by 16 percent and electronics, such as phones, TVs and computers, by 89 percent. “The average household, when they look at the CPI, I would agree that they probably think that it’s misrepresentative of their own personal cost of living,” Doyle commented.

The class content to these figures is that the biggest price increases affect the essentials that working people have to buy constantly, while the price falls cover goods that higher-income households can choose to purchase or frequently update.

One problem is that the CPI does not take into account the higher prices for more advanced audio visual and computing items. Instead, it compares them on a supposed “like for like” basis. But a technologically-advanced smart phone, for example, costs above \$1,000—much more than an early 2000s handset.

Another defect in the CPI is that it does not include the cost of buying an existing home, only that of a newly-built one. Housing prices have risen far faster than wages since 2000, particularly for existing properties.

The decline in the cost of the discretionary goods is the result of the globalisation of production over the past four decades, based on advanced technologies, dominated by transnational corporations that take

advantage of cheap labour on a global scale.

Workers in the most oppressed countries are producing these goods under slave-like conditions, while the purchasing power of workers' wages is increasingly falling behind because of the skyrocketing costs of essential items. In other words, workers bear the burden on every front.

Moreover, although the figures show the trend, they do not explain why prices have soared for basic services. The privatisation of utilities, health services and education, transforming them into sources of corporate profit, has driven the massive increases in the costs that workers have to bear.

For instance, the establishment of a national electricity market, initiated by the Keating Labor government in the 1990s, has enabled speculators to cash in on high spot prices during peak periods. Successive governments, both Labor and Liberal-National, have ensured that the corporate operators have reaped substantial profits.

In health care, governments have expanded the profit-making activities of private hospitals, insurance corporations and pharmaceutical giants. As for education, the Rudd-Gillard Labor government's "revolution" opened the door to private providers and edu-businesses to make fortunes from their increased role in schools and colleges.

Whether it be the privatisation of electricity, health care or education, the trade unions have suppressed workers' opposition to the destruction of jobs and conditions and thus bear full responsibility for the enrichment of the corporate and financial elite at the expense of the working class.

During the 1980s, in response to globalised production, the Hawke and Keating Labor governments, with the full support of the unions, imposed economic "restructuring" to meet the demands of big business for "international competitiveness."

As a consequence, there has been a continuing redistribution of wealth from the poorest to the richest layers. The latest Household, Income and Labour Dynamics in Australia (HILDA) survey, released this week, pointed to a decade-long decline in living standards, accompanied by worsening social inequality.

The HILDA report indicated that median household income has fallen in real terms, adjusted for inflation,

since the 2008-09 global financial crisis by \$542 a year to \$80,595—an historic reversal. Average income, which is magnified by the highest income recipients, has grown by \$3,156, or 3.5 percent, to near \$95,000, thus widening the gap between the top and the bottom.

Because inflation is measured by the CPI, both rates are well below the actual cost of living, but lower-income households have been falling behind by far the most over the past decade, and are increasingly unable to make ends meet.

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