SPECTATOR | AUSTRALIA

Standard of living to fall sharply

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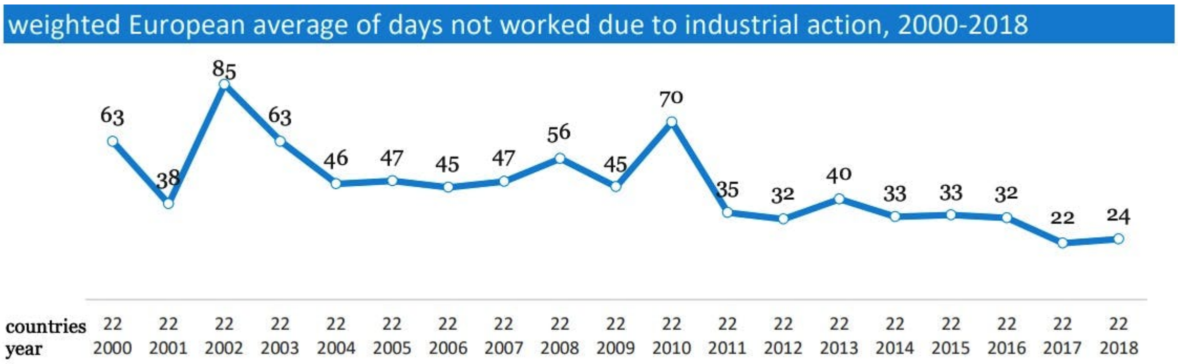
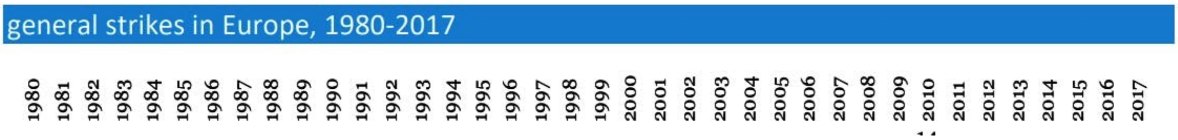
In the pre-Covid days, strike activity was fast disappearing. In Europe, the average days lost from strikes more than halved.





In Australia, the fall was even more dramatic – from over 500 strike days per 1,000 workers in the 1970s, to just 14 in the decade to 2020.

Suddenly, in Europe a spate of strikes is underway. They are in England and threatened in France, Spain, Italy, and even Germany. These are taking place 'amid spiralling increases in the cost of living' which describes EU annual wage increases averaging 2 per cent compared to price increases of 8.8 per cent.

Felicitously or, as the Government and Arbitration Commission would argue, by design, Australia's 5.2 per cent increased award wage might have pre-empted similar industrial unrest. The award, which is similar to the rate of price inflation, is superimposed on wages that were previously rising at a two per cent annual rate.

The Reserve Bank is still flooding the economy with money; hence the Arbitration Commission's award will give inflation a further push.

The fact is that productivity has been going backward, meaning wages in Australia and Europe have been falling in relation to price increases. This is happening in spite of labour shortages, which normally would be putting upward pressure in prices.

Ostensibly, the outcome is different in America where measured price inflation at 8.6 per cent is outpaced by wages rising at 11 per cent. American price inflation is presently dampened by firms, facing a business-hostile administration, being reluctant to raise prices. This is unsustainable and causing shortages of a vast number of goods – in addition to tampons and baby food, Walter Block lists fifty. Annual wages inflation in America, at over 11 per cent, might be outpacing price inflation and bringing lower levels of employee unease but is no less a cause for concern, and the Federal Reserve is embarked on the difficult task of winding down the excess money supply by raising interest rates.

Predictably the increase in global prices is dominated by energy costs – up 39 per cent in the EU this year – with energy costs also a major factor in the 4 per cent price increase in other goods and services. The same is true of America where energy prices were up 36 per cent.

We currently face a situation similar to that of the 1970s, when concerted action by oil exporters brought steep price increases. But the oil exporters 'conspiracy' was in fact possible only because of a shift in oil's underlying supply/demand balance. The outcome was a permanent upward shift in energy prices resulting in a painful global re-allocation of expenditures, with relative falls in income levels by energy importers.

The Ukraine War has had a similar effect in triggering a fall in real income levels, at least in affluent 'first world' nations.

Western nations have been 'decarbonising', forcing a substitution of high-cost and unreliable wind and solar for coal in domestic energy supplies. The costs of this have been augmented by a de facto outsourcing of energy-intensive industry, especially to China.

Without the same beliefs in human-induced catastrophic Climate Change, China and other ‘developing countries’ are not impeding new fossil fuel energy supplies. The world has 2,450 coal generation plants with a capacity of about 2 million megawatts. Another half million megawatts of capacity is planned, hardly any of which will be in developed westernised nations. In the western world, capacity has been reduced over recent years by a quarter of a million megawatts (about 570 plants, 13 of which were in Australia).

Now becoming clear are the adverse effects of Western nations’ replacement of high productivity fossil fuel supplies (as well as nuclear) with low productivity wind/solar and their offshoring high productivity, energy-intensive industries. These effects were previously obscured by government pump-priming, which was intensified during the Covid alarm.

Productivity growth, the only way a nation as a whole can enjoy increased real income, has been sacrificed on the altar of the Climate Change religion. Only its soothsayers will prosper. These largely comprise the subsidy-seeking wind and sun farmers and those preaching from politicised bureaucratic lecterns. Others must accept a lower living standard, at least until we reverse the policies that have required excessive spending on energy and chased away some of our most valuable jobs.

Industrial unrest in Europe is a mark of the frustration of workers who cannot understand why their living standards are falling. But living standards must inevitably fall there and in other countries which have succumbed to the global warming myths and accepted, as an elixir, the economy-poisoning antidotes of wind/solar.