



Australian Community Futures Planning

Snapshots from *Australia Together*

Transcript of Episode 2, Part 1: A new economy based on an Accord on Wealth, Welfare and Wellbeing

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[Snapshots from *Australia Together*: Episode 2, Part 1 – A new economy based on an Accord on Wealth, Welfare and Wellbeing](#)

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Snapshots from *Australia Together*

Episode 2, Part 1:

A new economy based on an Accord on Wealth, Welfare and Wellbeing

Introduction & Episode Outline

Welcome to this second episode of Snapshots from *Australia Together*. I'm Bronwyn Kelly, the Founder of Australian Community Futures Planning and in these programs we're showcasing selections of strategies and policies that can establish Australia's future as a prosperous nation offering safety, security and wellbeing to everyone.



The strategies presented here are not emerging from a political process. They're emerging through a process in which any and every Australian can become involved - the process of drafting [Australia Together](#), our nation's first long term integrated community futures plan.

To find out more about this plan and to become involved in the open, transparent, inclusive democratic process being used to build it, visit the ACFP website at www.austcfp.com.au

This episode is about essential things we need to do to build a new economy for Australia – one that is fit for 21st century markets and one that delivers greater equality for all. It comes in three parts:

Part 1 covers:

- the targets in *Australia Together* for our economy;
- strategies for equitable recovery of our economy from the pandemic recession via a system of fair sharing of the burden for raising national wealth and fairer sharing of the benefits;
- a strategy to introduce a new Accord between Australians and their parliaments on Wealth, Welfare and Wellbeing; and
- two other important related strategies for:
 - the introduction of a social wage in Australia and
 - reversal of neoliberal policies which are currently preventing the public from participating in their economy to the extent that we need if it is to grow sustainably.

Part 2 covers strategies for:

- increased involvement by Australians in planning how public funds are spent;
- institutional reforms to underpin a safe recovery from the pandemic;
- increased public sector and taxpayer participation in the economy;
- improved labour productivity; and
- taxation reform.



Part 3 covers the benefits of a social wage and how it might work in practice for Australians.

Note: To assist readers, this transcript references Strategies in *Australia Together* by the numbering and colour coding used in the plan. The numbering code may vary from time to time.



1. The need to reverse Neoliberalism

In the first episode of *Snapshots from Australia Together*, I set out some of the most significant strategies necessary for Australia's safe passage through the challenge of climate change. In that program I mentioned that climate change isn't just caused by burning fossil fuels. It has been exacerbated by economic strategies of neoliberalism which decrease the sustainability of our consumption patterns and increase inequality. Climate change has been sped up to a rapid pace in Australia and other parts of the developed world by neoliberalism, by which I mean it's been sped up by:

- overinvestment in policies of small government,
- excessive privatisation of public assets and services,
- corporate greed,
- poorly regulated capitalism, and particularly
- unregulated environmental exploitation and destruction.

We've been told that small government is necessary because modern economies like Australia's somehow aren't wealthy enough for us to afford all the health, welfare and education services we need. We've been told the private sector will be better at doing these things for us and that they'll be cheaper. But over the last thirty years, as the assets and services built by taxpayers have been gradually sold off, sometimes for far less than they were worth, the result is that the services we need either aren't provided at all or are more unaffordable and inaccessible than they've been since the 1970s.

More Australians are being excluded every year from access to:

- affordable education,
- essential medical services – particularly mental health services,
- support in times of crisis including family breakdown and domestic abuse, and
- to support as we age.

These things are what our economy is for. The Australian economy is the 12th biggest in the world. Our country is home to just 0.3% of the world's population but we earn 1.7% of global income. We are remarkably advantaged by world standards and our economy is easily big enough to carry **all** of us to a high standard of living, if we share it around fairly and properly.

At the moment we are not sharing the economy fairly enough to carry all of us. Income and wealth inequality have been steadily getting worse since the late 1990s, so much so that in 2019 we reached the point where the average net worth of the top 20% of households was more than 90

times that of the lowest 20% – some \$3.2 million for the top 20% compared to just \$35,200 for the lowest 20%¹.

That inequality didn't go unnoticed. In the same year in the ABC's Australia Talks survey of 55,000 Australians, 76% of us agreed that the gap between rich and poor is too large². So it's clear that the vast majority of Australians don't want to live in a society with that sort of disparity in wealth and opportunity. It's not who we are and it's safe to say we want it to be otherwise.

And because of that, **the economy is something for which we now urgently need a national vision**, before this gap gets worse. We need to build a clear picture of the type of economy we want, its objectives and purpose. If we develop that vision – a vision of what the economy is for – then we can ask ourselves how should our economy be set up to build the particular quality of life, wellbeing and security we want?

Neither our elected leaders nor Australians at large have clearly articulated that overarching vision of the purpose of our economy yet, and they've never come to agreement on how best to set up the national economy to make that vision a reality.

But in *Australia Together* we've made a start on drafting what a national vision for Australia would look like, including for the economy. You can [view the draft Vision for Australia Together here](#), and if you do you'll find it has seventeen elements describing the aspirations that Australians have expressed for the future health of their society, environment, economy and democracy whenever they've been asked about those aspirations in the last decade. That's one of the things Australian Community Futures Planning has been doing since 2019 – scanning comments by Australians about what they want for the future and assembling all that into a draft vision for them to consider as they build a plan to make it a reality.

At least five of the seventeen aspirations in that vision are about our economic future. The most important one is that:

Everyone can realise their full potential in life, as individuals, as members of a family and as citizens through unlimited opportunities in education and employment of choice.

The other aspirations around the economy are that:

*Vital services are fully accessible
Scarce resources are conserved and fairly shared
National wealth is fairly shared, and
Our economy is sustainable and supports rewarding opportunities and continuous improvements in living standards for everyone.*

So it's a socially just future that Australians have been describing here and ACFP has listened.

But they've also been describing a preference for an environmentally sustainable future and recognising that the natural environment, biodiversity and climate change are central to our economic prosperity. So the Vision for *Australia Together* also includes aspirations that:

¹ ABS 6523.0.

² ABC Australia Talks Survey 2019.

*As a nation we have the courage to take a leading place in achieving the environmental aims of a global society, and finally
Stewardship of ecology is affirmed as fundamental to planetary and human survival.*

The remaining ten elements of the Vision for *Australia Together* are about aspirations we've expressed for social cohesion, equality, wellbeing, a healthy open democracy where leaders respect and prioritise the public interest, and a deserved reputation for decency and promotion of peace on the international stage.

Australians are remarkably coherent about what they want for the future, and the idea here is that our nation should be set up to make their holistic vision of the future a reality by 2050 or sooner. But as our economy is structured at the moment, we won't make it a reality at all – however much we might want to.

Australia's economy is currently structured to rely heavily on markets that we know will collapse soon – particularly for fossil fuels. Shaped as it is, the current Australian economy is on the brink of failure. If you'd like to know more about this you can view [Episode 5 of our series on The State of Australia in 2020](#). That episode sets out the facts of how our economy is in decline and what's causing it. It's clear that this economy is on its last legs and that in any case it can no longer carry us towards the things we can and do aspire to in a vision like the Vision for *Australia Together*.

In fact the economy is currently set up to push us in the opposite direction. It is set up to constrain the contribution that the public sector can make to the economy. This is a constraint which makes no sense since the public sector – that is, the taxpayer funded sector – generates 25% of the nation's GDP. It's the biggest single collective participant in wealth generation but we seem to have concluded it should be smaller if our economy is to grow. This defies both logic and the facts of history which show clearly that:

- in the twenty years to 2012, when the government sector spending grew on average by 2.6% per annum, the economy grew by 3.4% per annum; **but**
- when our government started repeated reductions of spending from 2013 onwards, the economy struggled and grew much more slowly³.

The restriction of taxpayer involvement reduced the potential size of the economy.

At the moment we have our economy arranged to push us away from the vision for *Australia Together*. It's set up to embed lower productivity and therefore smaller economic growth than we might otherwise achieve if we had **both** the public and private sectors pitching in to their fullest and most efficient capacity, **and** if we had all Australians pitching in at their full capacity – something they can only do with full and free access to lifelong education and employment opportunities that play to their individual strengths.

Worse than all this, **we have our economy set up to produce the wrong type of growth** – growth which consumes too much in scarce and non-renewable resources. That's unsustainable and destructive growth. It has limits and will eventually turn fully negative.

But it doesn't have to be like that. There are ways to generate enough growth for everyone to share without doing it destructively. So *Australia Together* aims to:

³ Parliamentary Budget Office Report 03/2019 and ABS 5206.0.

- avoid negative growth wherever we can and to
- achieve modest growth but with two distinct features:
 - First the growth has to be generated by an economy set up to rely much less on non-renewable resources and much more on expansion of production from services that we sell to ourselves and others like health, welfare and education.
 - And second, the growth itself must be raised more fairly and shared more fairly.

At the moment that's not happening as we can see if we look at where the wealth we raise is going.

We can think of GDP – the wealth we raise – as a pie to be shared. The pie of national income that we all work hard to generate these days adds up to almost \$2 trillion (Australian) a year. It's grown to 4 times the size it was in 1975. But in 1975, 62% of that pie of national income went to Australians in wages and the share that went to corporate profits was only 17%. Since then shares of wealth have steadily and significantly reversed so that in 2021 only 51% of the pie went to Australians in wages and the share that went to corporate profits had almost doubled to 30%⁴. It's impossible to see justice in that. And if it's not corrected it will actually build in spirals of slower growth and economic contraction. Inequality will do that simply because it means too many of us have too little to spend which dampens demand which then results in job loss and round and round it goes in a downward spiral.

If we're generating \$2 trillion a year from our public sector and private sector activities, there's plenty of scope to share it better than this and to stimulate the economy at the same time through that fairer sharing. We get bigger economies when we spread wealth around more fairly.

We can also get more of the stimulatory effect we need from:

- more sustainable use of scarce resources,
- elimination of use of non-renewable resources for energy, and
- a move into expanded public sector services in:
 - health,
 - welfare,
 - education,
 - aged care,
 - disability care,
 - childcare,
 - conservation and land care,
 - affordable housing, and
 - efficiency in buildings and transport.

These services are considered a cost to the economy by neoliberals who hold that they should be cut to balance the books. But they all generate jobs and wealth. They are where substantial demand will come from in the future. It won't come from international demand for coal.

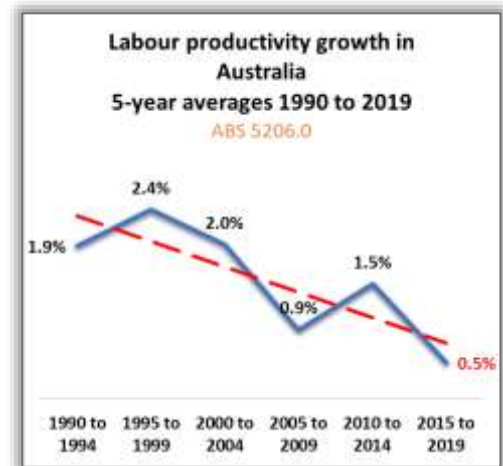
Put these services that we can sell to ourselves together and we can boost the economy. The pie will get bigger at a sustainable pace. Whereas if we rely entirely on failing and unregulated markets, then the successes we might hope for from any boosts that do come in the private sector – say in manufacturing or trade exposed industries – they'll all be negated by the destruction of overconsumption of scarce resources at one end of the production chain and removal of our national income offshore at the other end of the chain. That 30% share of national income that is taken for corporate profits is now largely being transferred offshore. It's certainly not being

⁴ ABS 5206.0.

reinvested in Australia. Private capital investment has been trending negative here for some years now.

Neoliberalism has a track record of embedding inefficiency and low productivity. It has a track record of embedding the very thing that is now preventing us from achieving sustainable growth. We can see the decline in Australia's labour productivity here, which accelerated when neoliberalism began to take real hold here after the year 2000.

And neoliberalism compounds our problems by consolidating monopolies in private hands – several of which are now foreign owned and have come to pay little or no tax.



What this implies is that **there is a fundamental need to reverse the neoliberal directions of the last 30 years**. We need to put more of our wealth back into taxpayers' hands but equip them with new skills in integrated planning to make it all work. This is likely to take some time because so many assets and services have been divested by governments for minimum periods of 30 years. But it can be done if we set out a transparent and reasonable plan for the transformation from what is now an exhausted economic structure, far too dependent on exports of non-renewable commodities.

We need to convert that to a new highly productive economy based more on social services. And it can be done if we take care to make sure that natural monopolies like electricity transmission and water supply don't slip further into private hands and if we work to build up competitive capacity in the private sector. We need social service expansion and we need natural monopolies to be put back in taxpayer hands where long term planning for better custody of all our assets can occur with less conflict of interest than we are suffering now in this age of unrestrained corporate greed. There is no other way to re-balance and strengthen our economy so that it can grow sustainably. So it's time to get practical about it.

2. Targets for the economy in *Australia Together*

For a reasonable, practical plan we need targets and we need strategies which add up to giving us the best shot at the targets.

The targets for the national economy that have been drafted into *Australia Together* so far, after considerable research, are all essential if we want to make the broader long term Vision I've just described a reality by 2050 or sooner. They're the minimum we need to achieve.

Most of the targets for the economy are straightforward economic targets, like targets for labour productivity, full employment and private capital investment. These are just practical targets that experts know are essential for a sustainable economy. They're colour coded throughout the plan in pink. *Australia Together* is an integrated map of the safe paths to these targets in the future and we use colour and key words to make it easier to follow the linkages in the plan and find things that are of interest to you.

But the paths to a great economy aren't just financial measures. They're about people. So there are also targets about our society and our responsibility to each other that are central to a sustainable

economy. They're about building an **inclusive** economy and they work on an assumption that the more of our human capacity that we **exclude** from participation in our society and economy, the more fragile our economy will become.

Alongside those, there are targets about the natural environment which, if not achieved, will mean ruin for our economy, although I'm not going to go into them here because I've already covered several of them in Episode 1 of this series on climate change. And I'll come back to them in future series.

Finally there are targets for things we need to achieve in our governance and democracy if we're to build a resilient economy. They're mainly about government, corporate and institutional responsibilities. For instance they're about government and corporate ethics and community involvement in national planning.

There are currently more than 150 targets in *Australia Together* and more will be added as drafts of the plan grow. They're all connected so that they maximise our chances of making the vision a reality. This is a National Integrated Plan. It connects targets to each other to make sure the whole plan is pulling in the right direction – the direction we want it to go – which is of course towards the Vision. And it connects the targets to strategies to make sure they're taking the safest paths towards the vision – the paths that won't cut across or disable each other.

All the strategies have to work to complement each other or we won't really have a plan that is inclusive enough and reflective enough of diverse aspirations. The aim is to build a plan with space for everyone. It should be more than possible in a country this big, with this fabulous diversity of resources both human and natural. *Australia Together* recognises diversity as a strength and aims to capitalise on it.

The critical targets I'd like to focus on here are mainly in the economic and social quadrants of the plan. They include targets for:

- The sustainability of growth and development (**Econ01.01**) consistent with the commitments our government made in 2015 to achieve the United Nations Sustainable Development Goals in our country by 2030.
- Consistent with those goals there are important targets for elimination of poverty and hunger (**Econ03.03**, **Econ03.03.01**, **Econ03.03.02** and **Econ03.04**) – targets which our government has promised to meet in the Australian population by 2030 but for which they have yet developed no plan and no budget.
- Related to that there are also targets for eliminating homelessness (**Soc09.01**) and making housing affordable (**Soc09.02.01**).
- Then there are a number of targets for employment with particular focus on stopping underemployment – or to put that the other way around to achieve full employment by 2025 (**Econ02.02**).
- There is also an important target to reduce the median duration of unemployment from over 17 weeks to less than ten weeks (**Econ02.03**).
- And of course there are targets for:
 - reducing inequality (**Econ03.01**, **Econ03.01.01**),
 - distributing wealth more fairly (**Econ03.02.01**, **Econ03.02.03**), and
 - eliminating the gender gap in income and wealth (**Soc06.01**).
- Then there are productivity targets (**Econ01.01.01**) – which recognise that productivity is key to economic recovery from the pandemic recession.

- Then there are targets and strategies to reverse the decline in capital investment by the private sector (**Econ01.02**).
- Then of course comes an important set of targets to increase government sector participation in the economy, particularly by service expansion (**Econ01.04**).
- And finally we come to targets for economic transformations (**Econ01.05**) including those for a move into re-building manufacturing and of course making Australia into a renewable energy superpower (**Econ01.06**).

This doesn't show all the targets in *Australia Together* that will boost our economy. But it gives you a sense that the approach is evidence-based and that the focus is a holistic one to boost **both** public and private sector participation. Unless we put both sectors on a sustainable expansion path, we won't restore the economy or shift it onto a resilient footing. This will require pursuit of targets in the environmental and governance quadrants of the plan alongside the economic and social targets.

It sounds like a big challenge and it is. But in no way is it beyond Australia's capability if we work and plan together.

Because each of these targets has a baseline in *Australia Together*, which provides the data about where we are now in relation to each target, we can build a map of safe strategies towards the targets.

In the economy there is quite a big distance between all the baselines and their corresponding targets, as we can see in the example of labour productivity where our performance in the baseline year of 2018/19 was -0.4%⁵. We went backwards in productivity in that year and this was before the pandemic. The target is to restore that to the average achieved between 1980 and 2014, which was 1.6%. It's a tall order but we've done it before and it's essential. And as this is integrated planning, the strategies can be designed to bridge the gap between the baseline and the target safely.

So let's have a look at some of the most important of these safe strategies.

3. Safe Strategies in *Australia Together* for a new sustainable economy

Australia Together is only in its first drafts but these strategies have emerged in the early drafts because they have obvious potential to propel us towards this particular vision. They can be grouped into six areas of action that will help Australia:

1. First, to achieve an equitable recovery from the pandemic recession.
2. Second, to set Australians up to have a much greater say in how public money is spent and thereby restore the fairness of how public money is spent
3. Third, the strategies aim to provide Australia with institutional reforms that are absolutely vital to the establishment of a new economy
4. Fourth, they're to help build a productive **public** sector after the ravages of neoliberalism
5. Fifth, they're designed to set the **wider** economy up for productivity gains and
6. Sixth, they're designed to restore the fairness of how public funding is raised. That's largely about taxation reform.

⁵ ABS 5206.0.

I'll go through these and what you will find is that there are some new concepts here and some that are not new. The new ones are the sort of strategies that emerge only when we try to build a long term plan for a strong, sustainable economy. They don't and can't emerge when leaders are simply trying to build a short term plan to win the next election. Good ideas can and do arise from the cut and thrust of elections and other political processes. And strategies in *Australia Together* aren't intended to replace any good idea that might safely propel us towards the vision, whether it comes from politics or not. On the contrary, *Australia Together* hoovers all of those good ideas up and puts them in one place to build the safe integrated plan. It works to get them all onto our agenda sooner than many of them otherwise might if we relied purely on the luck of the political draw at the next election.

What I want to concentrate on here is strategies that provide support and the right circumstances for any smart strategies - short or long term – that do fit with the Vision for *Australia Together*. So I'm going to focus here mainly on the strategies in *Australia Together* that add to our capacity to actually achieve all those other good ideas and ultimately a safe and fair transition to a new sustainable economy.

4. Strategies for an equitable recovery from the pandemic

Looking at the first set of strategies for an equitable recovery from the pandemic recession, *Australia Together* recognises that in our economy at the moment, wealth isn't raised fairly and it isn't shared fairly either. Australians haven't been getting fair shares of access to their own money for the services they need.

But more than that, they have absolutely no control over the purse strings, even though it's their money. Federal and state budgets are set every year with next to no consultation. And unless that stops, we are going to plunge further into unfairness.

Raising the role of welfare in generating national prosperity

To prevent that plunge, *Australia Together* adopts strategies to achieve some fundamental shifts in current attitudes that are reinforcing the sub-optimal structural arrangements of our current economy and unnecessarily limiting what that economy can do for us:

1. One shift is in our attitude to and understanding of the place of welfare in generating prosperity. Welfare has a big role in generating prosperity but we're unnecessarily restricting it at the moment.
2. A second attitudinal shift is about the role of the government sector in the economy and its capacity to inject profits for Australia into the national economy including through direct provision of social services and through profitable government commercial trading enterprises operating fairly and ethically alongside private sector enterprises in free markets that are exposed to competition on a level playing field.
3. A third shift is in our attitude to taxation.
4. And a fourth is about our own capacity be involved in planning the nation's finances and economic development.

Most Australians will think they can't have involvement in that last one. But they absolutely can and Australian Community Futures Planning is working to give them a means of injecting themselves into the process of planning the federal budget. We have developed a community engagement process called [National Integrated Planning & Reporting](#) that any and every Australian can become involved

in to have a say in planning the nation's future and in the finance we can assemble for that future. It's a very practical step we can take to restore fairness in how national wealth is raised and shared. I'll talk more about that in Part 2 of this episode.

As to our attitudes to welfare – I'm speaking of welfare here in the broad sense as the share of national income that is devoted to servicing our needs in:

- health,
- family and community services,
- aged care,
- pensions,
- childcare,
- protection from poverty, and
- protection during unemployment, sickness and disability.

Under neoliberalism we've been encouraged to view this welfare as a burden imposed on us by underserving leaners and something that should be pushed to the periphery of our national budget. But in Australia, welfare is the job creation colossus. Our health & social services sector already employs more than 14% of working Australians⁶, making it the biggest sector of employment by far. Nothing generates jobs like the broad welfare system I've been talking about because nothing generates more domestic demand.

And the gross value added to the Australian economy by that sector is currently the second highest out of all the sectors, exceeded only by mining⁷. But of course in the case of mining much of the gross value added is heavily subsidised by the taxpayer in the first place and doesn't come back to Australians. The *net* value added by mining is not that great after we deduct the billions in subsidies we give it each year. We get very few opportunities for a job in mining and because much of it is now run by multinationals adroit at transferring profits offshore, much of the gross value added by mining isn't reinvested in Australians.

This doesn't mean we should stop all forms of mining. But it does make it economically suicidal to cut the health and welfare services sector and the education sector, which are much bigger employers and for which there is legitimate, reliable and heavy demand.

Whenever we transfer public funds away from social services to sectors like mining and fossil fuels, which employ relatively few Australians and will employ fewer and fewer as they introduce automation, and as demand drops, that subsidisation is likely to result in a drop in standards of living.

And yet that is what the conservative federal governments have been doing since 2000 – pumping up the idea that we can't afford our own health and subsidising corporates to stay in risky and inefficient ventures for longer than they should. This needs to be reversed but we need to do it using a sensible, well integrated, long term planning framework.

That framework could be driven well if Australians were given a greater say in their priorities for spending of public funds. It could be driven very efficiently and fairly if we develop what in *Australia Together* we have called an **Accord on Wealth, Welfare and Wellbeing (Econ04.02)**.

⁶ ABS 6291.0.

⁷ ABS 5204.0.

The Accord on Wealth, Welfare and Wellbeing

The Strategy for this Accord is simple. It's that by 2022, the federal government would convene a process of joint development with community delegates of a draft policy of mutual commitment to the welfare and wellbeing of all Australians and the fair sharing of their wealth. This Accord should be designed to protect and promote the economic and social wellbeing of all citizens by adherence to principles of:

- equality of opportunity,
- fair sharing of the burden of raising national wealth,
- fair and more equitable distribution of national wealth raised through taxation and other investment by Australians, and
- public responsibility by Australia as a community for those unable to avail themselves of the minimum provisions for a dignified life.

At first glance, this Accord might sound strange or superfluous. But at the moment nothing exists where we have expressed our commitments to each other on national wealth sharing, welfare and wellbeing. And nowhere, except perhaps in local government, have we set down the principles that governments must take into account when formulating budgets.

Federal and state governments have made no effective commitments to us about equality of economic opportunity and sharing of burden and benefit. Nor have we given commitments to each other in this regard. Such a statement is not a hard thing to develop but its absence has meant that governments are free to disregard any and every obligation to citizens, even the minimum ones, like health care.

A culture has evolved particularly in conservative governments that it's OK to reduce public spending in health and education budgets and all sorts of other budgets such as environmental protection, artificially maintaining them below the minimum necessary, even though that's entirely unnecessary, because we can well afford it all.

Because we have set no clear standard by which decisions on public spending must be made, we are now being lumped with Intergenerational Plans⁸ in which federal governments, since 2015, have boasted of intentions to cut education funding as a proportion of GDP by 40% over the next forty years and to fund our health at levels well below the foreseeable demand and need over that period. For more information on this, viewers can watch [Episode 2 Part 2 of ACFP's 3-part series on National Integrated Planning & Reporting](#).

The establishment of an Accord between Australians and their parliaments on Wealth, Welfare and Wellbeing is a necessary fundamental change if we're to achieve an equitable recovery from the pandemic recession and the contractionary effects of over 20 years of neoliberalism. It's a paradigm shift in the way we run and optimise our democracy and it's vital if we are to increase the control that everyday Australians have over their safety, security, and quality of life.

With such an Accord, developed by us and then legislated, we can turbo charge other strategies in *Australia Together* that are vital to fair sharing and social cohesion including strategies for elimination of poverty and hunger (**Econ03.03 and Econ03.04**) which are both growing in Australia, and for immediately raising the Jobseeker payment (**Econ04.01.01**) back to where it was during the pandemic – in other words almost doubling it, although that particular strategy has been inserted as

⁸ See Commonwealth of Australia Intergenerational Report 2015 at <https://treasury.gov.au/publication/2015-igr> and Intergenerational Report 2021 at <https://treasury.gov.au/publication/2021-intergenerational-report>

a kind of interim safety net, preparatory to the introduction of a quite different way of sharing wealth and stimulating the economy.

That new strategy is to introduce a social wage (**Econ02.04**) for all Australians aged 18 and over who are earning less than \$250,000 a year and with net assets of less than \$2 million. This strategy is also about setting the fundamentals of how a social wage would work by conducting nationwide community engagement (**Econ02.04.02**).

A social wage for all Australians

A social wage is a continuous uniform taxpayer funded payment to all adults made regardless of any other income they may freely obtain. It has come to the fore in the developed world in the last decade as a credible means of stimulating and strengthening economies, although it goes back at least as far as Thomas Moore in Tudor England. And while in a neoliberal world it might look like it's the project of left wing bleeding hearts, many will be surprised to learn that right-wing supporters of free market economics, such as Friedrich Hayek and Milton Friedman, have been proponents for a social wage.

What I'm referring to here as a social wage has been variously called:

- a universal basic income,
- a minimum income guarantee,
- a negative income tax, and lately
- an Australian Income Security.

That title has been proposed by one of Australia's foremost economists, Professor Ross Garnaut in his latest book, *Reset*,⁹ which is about restoring our economy after the pandemic. If you're interested in how a social wage could be advantageously implemented for all Australians, it's worth a read. But regardless of what we call a social wage, our economy needs it and Australians are very likely ready for it.

In 2019, according to the United States Studies Centre¹⁰:

- 84% of Australians believed that "the minimum wage should be high enough so that no family with a full-time worker falls below the official poverty line." (We have lots of full time workers at the moment who are living below the poverty line.); and
- 61% believed that "the government should provide a decent standard of living for the unemployed."

This level of support for a reliable social safety net and basic income should be no surprise because since 1948, with the adoption of the Universal Declaration of Human Rights, to which Australia is a signatory, the concept of a social wage and safety net has been acknowledged not as a favour to the poor but as a right for everyone. In 1948 we declared that:

⁹ Professor Ross Garnaut, *Reset: Restoring Australia after the pandemic recession*, La Trobe University Press, 2021.

¹⁰ Simon Jackman, Shaun Ratcliff, Zoe Meers, Jared Mondschein and Elliott Brennan, "Public Opinion in the Age of Trump: The United States and Australia Compared", University of Sydney, United States Studies Centre, December 2019, accessible at <https://www.ussc.edu.au/analysis/public-opinion-in-the-united-states-and-australia-compared>

*Everyone has the **right** to a standard of living adequate for the health and wellbeing of himself [sic.] and of his family, including food, clothing, housing, medical care and necessary social services, and the **right** to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond [their] control [my emphases].¹¹*

Of course, the debt means by which neoliberals have sought to evade this acknowledged obligation and right is by implying that our individual circumstances are not beyond our control, that we all have equal power to make something of ourselves and it's our own fault if we don't. I personally don't agree with that but when it comes to the economy, it doesn't really matter who's right about it. The fact remains that thinkers from both sides of politics have seen the benefits of a social wage for the economy, especially now that we have racked up a huge amount of debt as a nation after a Global Financial Crisis and a pandemic. Both sides of the political spectrum have acknowledged that, if it's properly implemented – and that would have to be in a manner that would comply with a genuine Accord on Wealth, Welfare and Wellbeing – a social wage can help us reset the economy to manage that debt and avoid passing an impossible task on to our kids.

It can help us do this because:

- It can open the way to lower and flatter personal taxation without necessarily making the taxation system unreasonably regressive, without making the wealth sharing system more inequitable, and without cutting services.
- It can remove the current disincentives in our social security and tax systems that act to discourage many Australians, particularly women, from participation in the workforce, because they retain more income after tax. At the moment the tax system can be a disincentive to workforce participation, especially for second income earners in households with care responsibilities. Reduction of participation by women and carers robs us of economic capacity – and that builds in lower standards of living.
- A social wage can also provide stimulus to the economy by boosting spending capacity in places where there is little or none now – that is, among the growing numbers of the poor – more than 3 million of them. It pulls those people into participation in the economy instead of pushing them out of it. That alone makes the economy instantly bigger and it cuts costs for health and social support.
- It can significantly rebalance gender inequity because it applies equally to adult dependents and second income earners, who are usually women.
- It's great for students and people who need to re-train to shift their careers, which young people will have to do a lot more than say people of my generation ever did.
- And in that regard, it's a vital contributor to the productivity increases that we need – increases that can only come from setting up to provide lifelong education for everyone who needs it.
- Most important, a social wage would help propel Australia towards achieving full employment, in part because it would immediately raise disposable income for everyone and thereby create enough new demand for jobs growth in both the public sector – especially in education – and in the private sector in trade exposed industries. A well-structured social wage would allow trade exposed industries to remain more competitive than they otherwise would over the next decade – because it can help keep wages affordable for those industries without lowering the standard of living for workers. This is important if the nation as a whole is to attract enough income from exports to help pay back some of the massive debt we have built up as a nation since the GFC.

¹¹ United Nations, Universal Declaration of Human Rights, <https://www.un.org/sites/un2.un.org/files/udhr.pdf>

- But it can only do all that if first we have an open accord that it's a fair bargain to accept wage restraint in exchange for a social wage. Hence the proposal for an Accord on Wealth, Welfare and Wellbeing.

It might seem odd to pay everyone this wage – even wealthy people. But when you think about how we have our economic stimulus set up at the moment, we put taxpayer money into the economy anyway. It's just that we put vast amounts of it in to subsidise fundamentally uncompetitive businesses like fossil fuels.

The private sector certainly employs most of us, but they don't generally use us well, let alone pay us well. Over recent decades we've been regaled with the idea that the public sector is inherently less efficient than the private sector and that we'll all be better off and have a bigger economy if we stop giving as much to ourselves and give the private sector as much support from our taxes as possible. The prevailing logic has been that we'll have a better chance of a job if taxpayers subsidise the private sector because it's so much more efficient and productive than the public sector. As a result, the private sector can today quite accurately boast of sweeping up 85% of Australia's workers¹². But unfortunately it uses them so inefficiently that they produce only 75% of the GDP¹³. The public sector provides work for the other 15% of employed Australians but they produce 25% of the GDP. None of that attests to the comparative efficiency of the private sector as it's set up at the moment. And it shows that using our tax revenues to prop up private sector inefficiency and uncompetitiveness works to reduce GDP compared to what we might achieve if we had both sectors operating as productively and competitively as they can.

If we want to improve the performance and output of both sectors then we need to re-think the way we distribute our tax revenues to make sure they stimulate the economy, not dampen it as the current subsidy arrangements are doing.

We also need to correct the order in which we inject public funds into the economy and the inequity of how we raise and distribute tax revenues. At the moment, we put all our tax revenues into the economy inequitably and we start at the wrong point.

Instead of spending our taxes on ourselves, first, as we should, the bottom 80% of taxpayers, at the moment, are heavily subsidising the top 20% and in particular a relatively small number of big businesses via direct payments to them and tax breaks. Those big businesses make huge profits because they've been so heavily funded by us up front, but they now generally do whatever they can to avoid reinvesting the profits back into Australia. They don't pay us back.

Between 2016 and 2019, business profits in Australia increased by 49% but wages rose by only 9%¹⁴. Nor was this profit reinvested in Australia as new private capital expenditure. As I said earlier, that's been trending negative for some years.

The most notable beneficiary of way too much largesse from the public purse is of course the fossil fuel industry – coal, gas and oil. In the year to June 2021, according to the Australia Institute, the federal and state governments provided a total of \$10.3 billion worth of spending and tax breaks to assist fossil fuel industries¹⁵. Taxpayers put more money into fossil fuels than they did for the

¹² According to the Business Council of Australia: "Business employs 11 million [85%] of the 13 million working Australians." See "A Plan for a Stronger Australia, Volume One", April 2019, page 4.

¹³ ABS 5206.0.

¹⁴ ABS 5676.0.

¹⁵ The Australia Institute, "Fossil Fuel Subsidies in Australia", April 2021, <https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia/>

Australian Army. Using a different methodology in 2019, the International Monetary Fund calculated that taxpayer subsidies by Australians to fossil fuel industries for the 2015 year added up to \$42 billion Australian¹⁶. The IMF came to the higher figure because they took other types of hidden assistance into account, including the environmental cost of emissions. Both estimates of the size of the fossil fuel subsidy are valid, but the IMF estimate gives a truer picture of future costs for clean-up and restoration that we are currently being left with by the polluting industries we subsidise. It gives us a clearer gauge of just how much we are costing future generations by, for example, not putting a price on carbon emissions.

A carbon price (**Econ01.08**) is a strategy that I've spoken of already in the first episode of *Snapshots from Australia Together* so I won't go into it here. Suffice to say that if we switch our subsidy arrangements around and take the same money to support ourselves first and foremost, especially by expanding our social services, this will make for a much smarter way of moving money around in the economy so that it grows sustainably and it will do it with far less destruction of the environment and loss of social equity than we have seen in the past. We would be moving it to fund job creation in areas of high demand, like health, education, housing, renewable energy, conservation, science and technology. It means we would be stimulating the free market to the same extent that we do now, but from the other end – from the point of genuine demand. And we would be stimulating a market that does not consume scarce or non-renewable resources at the same destructive rate as our current composition of industries.

Somewhere between \$10 billion and \$40 billion a year is available in public funds raised by taxpayers to spread around our economy more fairly than we spread it now. And if we shift distribution of funds by means of a social wage, we will also be significantly reducing inequality while stimulating the economy at the same time.

If we complement that with some other vital strategies it will give us a great start in an equitable recovery from the pandemic. But this time the recovery will be towards a sustainable economy and natural environment. So in Part 2 of this episode I'll look at some of those other most important safe strategies. There are some exciting opportunities there that Australians should not miss out on. In Part 3 of this episode, I'll expand on the benefits of a social wage for Australians and their economy.

¹⁶ Source: International Monetary Fund, David Coady, Ian Parry, Nghia-Piotr Le, and Baoping Shang, "IMF Working Paper: Global Fossil Fuel Subsidies Remain Large: An Update Based on Country-Level Estimates, WP/19/89", 2019, page 35. This report cites Australia's subsidies for fossil fuel in US\$ for 2015 as US\$29 billion (AU\$42 billion approximately or 2.3% of GDP) and US\$1,198 per capita (AU\$1,700 per capita approximately) Accessible at <https://www.imf.org/~media/Files/Publications/WP/2019/WPIEA2019089.ashx>