Australian Community Futures Planning

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Snapshots from *Australia Together*

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

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Snapshots from *Australia Together*: Episode 2, Part 2 – A new economy based on an Accord on Wealth, Welfare and Wellbeing
Graphics for this transcript are only available in full in the YouTube version.

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

Introduction

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 is Part 2 of our episode on strategies we need to implement as a nation working together if we're to establish a new economy for Australia – one based on a new agreement about how we want to raise and share national wealth.

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. Recapping Part 1 – Strategies for an equitable recovery from the pandemic recession

Just briefly re-capping, I said in Part 1 that with long term, national integrated planning, we can build a plan that encompasses all the best strategies that actually propel us toward the Vision for *Australia Together*. I said that, at the moment, our economy is set up to push us in the opposite direction to that Vision and to correct that we need to adopt some additional strategies that provide support and the right circumstances for any smart strategies that do fit with the Vision for *Australia Together*.

Australians and their elected leaders come up with smart strategies all the time. But they need support via some crucial institutional changes. So *Australia Together* gives importance to these supportive strategies. 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 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.

In Part 1 of this episode:

- I spent some time on the first one of these and I set out a key strategy in *Australia Together* of developing an **Accord between Australians and their parliaments on Wealth, Welfare and Wellbeing**. This is vital if we are to achieve an equitable recovery from the pandemic recession and shift our economy to a more sustainable, resilient footing.

- I also explained why there would be considerable advantage to our economy if we introduced **a social wage for all Australians** aged 18 and over who are earning less than $250,000 per annum.

- And I explained the advantages for the economy if we **reverse certain trends of neoliberalism** which are artificially and unnecessarily constraining the public sector and taxpayers from participating in their own economy. They're preventing us from shifting it onto a fairer and sustainable foundation.

I put the focus on the **Accord on Wealth, Welfare and Wellbeing** in Part 1 because the other areas of action won't work well without the Accord.

Trying to achieve an equitable recovery from the pandemic recession and a shift into a new sustainable economy without an Accord on Wealth, Welfare and Wellbeing would be like trying to attain constitutional recognition for Indigenous Australians without an Uluru Statement from the Heart. In big shifts to new futures – especially more equitable ones, we have to start from the heart – from first principles. And when it comes to the economy, the heart of the issue is our commitment to each other. What is it? We have to say – in writing, and preferably in binding legislation – what that commitment to each other is.

> *How do we agree to raise and share our national wealth and how do we agree to ensure our welfare and wellbeing?*

That type of accord is the only way to give ourselves the best chance to work together confidently towards what we all want. If the economy is to expand sustainably, everyone has to be included and to be reassured that a fair Accord is in place to protect them. The centre of that Accord is a transparent statement about how we will agree to raise national wealth and share it.

That means we need strategies for more open involvement by Australians in how their money is raised and spent. So on the spending side, *Australia Together* includes new strategies for community participation in national financial planning.

2. Strategies for great involvement by Australians in how public money is spent

Most Australians won't know that they can easily become involved in setting the nation's federal and state budgets. And up until the last decade, it's true that they had no real means of becoming directly or efficiently involved. But there is one level of government that has involved Australians in that and it's local government.

For over a decade, councils in most states of Australia have been required by legislation to engage their communities on plans for their future and involve them in setting their public spending priorities and even in choosing how funding should be raised. This can now be done at the national level because Australian Community Futures Planning has taken the integrated planning and reporting process already legislated for local government and adapted it for use by Australians at the national level. National Integrated Planning & Reporting may or may not be legislated at the federal level within the next decade, but either way, it will allow Australians to begin injecting themselves more into orderly processes for setting the nation's priorities, including financial planning. If you'd like to know more, you can view ACFP's YouTube series on National Integrated Planning & Reporting.

Australia Together includes strategies for legislating obligations at the federal level to implement National Integrated Planning and Reporting some time within the next decade (**Gov01.04**). But preparatory to that, it includes **strategies for skills development in national long term financial planning and community engagement**. This encompasses skills development for federal and state public servants (**Gov01.05**) who are yet to learn how to build long term financial plans to meet the needs of Australians as a nation. And the draft plan also includes some strategies which give opportunities to Australians at large, including school children, to skill up in participating in these processes if and whenever they wish.

The most important of those opportunities is a **strategy calling for citizen's oversight of an integrated and funded program for meeting Australia's existing commitments to the United Nations Sustainable Development Goals** (**Econ01.09 and Econ01.09.01**) that I spoke of briefly in Part 1 of this episode. There are 17 of these goals that the Coalition government agreed to meet in Australia by 2030. The government made that commitment in 2015 but as yet no plans have been developed to meet the goals and we are one of a few countries that has no budget line item to fund them. Development of a solid plan to meet the goals is essential and that planning exercise could function as a great opportunity for a new type of citizen's assembly.

Citizens' assemblies and citizens' juries are often suggested as a good way for people to become more involved in their democracy, especially in solving local problems. And they work really well to come up with solutions that suit the particular circumstances and preferences of local communities. But they can also be very effective for **long term planning** on ***national*** issues like, resource sharing, taxation reform, macro and microeconomic policy, climate action, gender equity, race relations and constitutional reform and for actively involving the community in monitoring performance against those plans.

Our chances of meeting the United Nations Sustainable Development Goals could be significantly enhanced if planning and monitoring were organised with active community oversight. And since those 17 goals are all entirely consistent with the Vision for *Australia Together*, this would put some energy and focus into the process for making the Vision for *Australia Together* a reality.

In that process, community members and public servants could both skill up in engaging and working together on these vital goals. Not everyone would want to take up the opportunity, nor need they. But making it available would be a very good start in a practical program of strengthening democratic processes, improving our relationships with and respect for leaders, and increasing community influence over the shape of our future and how we set funds aside for it. From there, we can take further steps as a nation to **hone skills and increase involvement in national budgets** (**Econ04.02.02**).

National budgets – or rather what I might more accurately describe as national long term financial plans – are best built by processes of National Integrated Planning. But this works most effectively if we include another set of strategies for protection of the national budget – **strategies which establish what we call floor expenditure levels in certain key areas** – areas that are so important to our quality of life that we need to make sure expenditure on them doesn't drop any further than it has already.

Expenditures on key public services like welfare, education, the natural environment, biodiversity and ethical governance have been dropping and are set to drop further under the Intergenerational Reports[1] that have been released by the federal government since 2015. Aside from Defence spending and a small but inadequate planned expenditure increase for health, other expenditures in our national finances are actually ***not*** being set by the government to rise in total over the long term. They're being set to fall.

For instance, in the 2019 Intergenerational Report, funding for residential aged care homes and home care packages looks like it's set to rise but it's intended that the increase will be offset by drops in funding for pensions. This doesn't maintain the standard of living for the aged. It drops it. The poorest among the elderly will be made worse off so that private aged care providers can be given billions more. We need increased community scrutiny to stop this sort of thing if we want our quality of life to be maintained.

The long term financial planning methods in National Integrated Planning & Reporting include a mechanism to help stop this happening and to stop artificial constraints on the public sector as a contributor to growth and competition in our economy. Throughout the plan there are strategies to set floor expenditures in place in:

- Welfare (**Econ04.01**),
- Health (**Soc04.07**),
- tertiary education (**Soc05.01**),
- domestic violence support and shelters (**Soc10.05**),
- aged care (**Soc12.04**),
- government investment for economic growth during recovery from the pandemic (**Econ01.04**), and
- funding necessary to ensure open and accountable governance (**Gov05.03**).

This last area of floor expenditure protection is to ensure funding is maintained for institutions like the Australian Broadcasting Commission, the Australian Bureau of Statistics, the Australian National Audit Office, and the Office of the Australian Information Commissioner. If an independent federal anti-corruption commission were to be established, this too would have a floor expenditure protection in *Australia Together*. These are all areas in which expenditure shouldn't drop as a

[1] 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

proportion of GDP in any democracy, let alone a wealthy one like ours. The fact that these expenditures have been dropping in Australia has led to our being unprepared in the face of crises like Covid-19 and the recent bushfires and it's led to serious, perceptible decline in integrity and accountability in the government itself. That particular decline in government sector ethics has been a major contributor to economic decline.

3. Strategies for institutional reforms for a new economy

Moving on to some of the institutional reforms for a new economy that are emerging in *Australia Together*, a centrepiece among the strategies is to establish a **National Economic Transitions Commission** (**Econ02.05**). This is something we don't have now and, without it, or something like it, we are deluding ourselves that we can safely and efficiently make the shift to a new structure for our economy.

I've spoken quite a bit about the National Economic Transitions Commission in [Episode 1 of this series on the plan for fixing climate change] and in the [last episode of our series on National Integrated Planning & Reporting], so I won't repeat much about it here other than to say that the strategy to establish the Commission acknowledges that globalisation of economies and other global forces such as climate change or pandemics or trade wars will, from time to time, deliver sector-wide shocks to Australia's economy. They are currently hitting our fossil fuel mining sector, our tertiary education sector, the tourism sector, the agriculture sector, and they have been incrementally impacting our manufacturing sector for some time. So the National Economic Transitions Commission is a new institution to identify the necessary shifts in response, and then facilitate the shifts into or out of whatever sectors are being affected by the global shift.

If we had a National Economic Transitions Commission, it would mean we would never have to make a transition in our economy again without a plan and without the necessary arrangements for coordination and without sufficient funding for both the transition itself and the safety nets we need while we're going through it.

This will require the creation of an economic transitions fund that with the approval of parliament can be administered by the Commission to assist workers in transition from one sector to another or to boost the speed with which new competitive sectors can be established or expanded to build a path towards full employment. In short, the National Economic Transitions Commission is a crucial institutional reform to facilitate ongoing full employment (**Econ02.04**) and its first tasks would be to **transition fossil fuel workers safely across to the new economy** (**Econ02.05.01**) and **repair our severely damaged tertiary education industry** (**Econ02.05.02**).

4. Strategies for a revitalised, productive public sector

Moving on again to the next activity area – strategies to revitalise the public sector contribution to the national economy.

Australia Together currently includes **strategies to increase government sector participation in direct provision of the sorts of services that I spoke of in Part 1 of this episode (Econ02.04.01). Those services are in health, welfare, education, housing, conservation and land care, renewable energy generation and transmission, buildings efficiency and transport**. They focus on developing a public sector workforce plan, and on reversing the growth over the last twenty years in contracting out, especially for policy advice, which is currently contracted in large part to consultants who charge three times what it would cost if the advice were provided by experienced public servants.

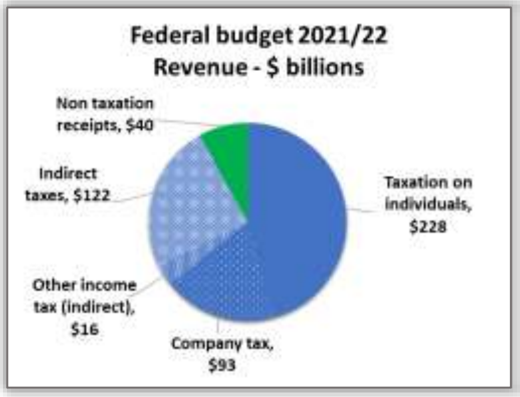
This advice is increasingly being supplied at dubious levels of quality due to both the narrow experience of the private sector and conflicts of interest.

And to help the public sector along there are a few **strategies that revoke current policies that are restricting public sector capacity** (**Econ04.02.01**), including:

- strategies to dispense with current policies imposing a tax-to-GDP cap, and
- strategies to abolish the public sector "efficiency dividend".

These are policies which have no foundation in economics and are just ways of cutting expenditures that shouldn't be cut.

But *Australia Together* doesn't just focus on expanding the public sector contribution to the economy by spending our taxation income. It includes **strategies for raising public funds by means other than taxation**, including through operation of profitable, publicly owned, government commercial trading enterprises.



Funding for the nation is mainly raised at the federal level by taxation and most of this is from income taxation on individuals as shown in the pie chart here.

The blue parts of the pie show where our taxation revenues come from. In the 2021/22 federal budget they added up to $459 billion. The money in this pie contributes 25% of the nation's wealth, making taxpayers the biggest single collective contributor to our GDP.

Individuals supply 80% of federal taxation revenues directly or indirectly. Companies supply only 20%. They may pay some of the indirect taxes too, but they pass them back to us in price hikes, so it is ordinary Australians who are really paying all the indirect taxes.

But on top of the $459 billion in taxation revenue, the government also receives $40 billion a year from non-tax sources (shown in the green part of the pie). The bulk of this is from sales of goods and services and dividends – in other words from government acting as a smart profitable business. This income could be much bigger for the taxpayer if the government expanded its business activities and did so in a fair, genuinely competitive framework.

This would involve having to **reverse the neoliberal preference for small government** which has seen core public services divested to the private sector, for instance, in:

- managing and placing the unemployed,
- attending to the disabled,
- running airports,
- developing serums and vaccines, and in
- maintaining data bases on all our land titles,

to name just a few of the countless types of profitable public services that have been sold off to private sector companies, sometimes as monopolies. The income and profit from these are no longer returned to taxpayers as they once were. But we still pay for all these services – and now provide a profit margin to private providers which we never had to pay before.

This doesn't mean there should be no room left at all for private providers in health, in schools or other vital national services. If they can be efficient in these sorts of services there is no reason why a system which allows healthy competition between private and public providers should not be encouraged. **But there is no reason for taxpayers to sponsor profit for anyone but themselves from the public services that they pay for.** There is no logic in paying a premium for these services and then receiving none of the premium in return.

We can reduce the need for taxation if we expand direct service provision to ourselves in a manner which returns any profits to ourselves. This is why *Australia Together* includes **strategies that re-establish the public sector as an owner and operator of competitive government trading enterprises** (**Econ06.01 and Econ06.01.01**) where any profits that are generated are returned to the taxpayers who paid to invest in the services in the first place.

It also includes **strategies which prohibit rent-seeking by the private sector in critical community services** (**Gov09.03**). This will exclude private for-profit incorporated entities from provision of services paid for through tax revenues in:

- aged care,
- childcare,
- vocational education and training including TAFE,
- placement services for the unemployed, and
- administration of welfare payments for the unemployed, the disabled, single parents, aged pensioner and youth allowances.

It mandates that only non-profit incorporated businesses can tender to provide services in these areas where funding by taxpayers is involved.

If taxpayer funding isn't involved, the private sector is still more than welcome to compete wherever it can and there should be no need for them to seek rents from taxpayers. But if we're to maximise the positives that can come from genuine competition in a free market, **the public sector shouldn't be excluded from any part of the open market**.

And to make sure that it's not, *Australia Together* also includes an important **strategy to review the National Competition Policy** (**Econ05.01**). This policy was set up in the 1990s to level the playing field between the public and private sector and at the time the assumption was that the public sector had unfair advantages in provision of services which prevented the private sector from competing.

Unfortunately the policy was never really implemented consistent with its original objectives. It hasn't resulted in the intended level playing field between the public and private sector at all. On the contrary it's been implemented so as to eject the public sector from the field almost entirely. So it has reduced competition. What we have ended up with is:

- a rise in anti-competitive behaviour by the private sector, aided by poor regulation from neoliberal governments,
- We've seen a transfer of natural monopolies – some of which were very profitable for taxpayers – to total monopolistic private control; in fact we have seen an increase of private sector monopolies and duopolies
- We've seen exploitation of public resources such as water at rates well beyond their capacity for renewal,

- We've had privatisation by sales of public assets for far less than they are worth and
- We've seen transfers of profits away from the public that created the assets and services in the first place into offshore corporate ownership from whence little or no tax is paid.

The National Competition Policy looks innocuous but it's had an enormous, deleterious effect on our wealth, welfare and wellbeing.

The policy was reviewed in 2015[2] but this review recommended that further areas of public services be opened up to the private sector, even though this disregarded the obvious negative impacts on consumers, impacts which have since been made quite clear, for example, in royal commissions such as the recent Royal Commission into Aged Care which concluded that:

> *Private providers* [in aged care] *have much worse quality outcomes than government and not-for-profit providers. In effect, the increasingly private composition of the market has placed further pressure on quality and safety in aged care.*[3]

If you'd like to know more about why a strategy to review and replace Australia's National Competition Policy is so important as a remedy in our failing economy, view Episode 3 in our series on National Integrated Planning & Reporting.

5. Strategies for wider economy productivity gains

In the fifth area of activity in *Australia Together* for restoring the economy, the strategies that have emerged thus far are about achieving wider productivity gains across the entire economy by restoring access to affordable education and reducing barriers to the participation of women in the workforce. To start with, this means **reintroducing fee free tertiary education** – and by this I mean both university and vocational education and training (**Soc05.01**).

Access to education is the chief determinant of productivity and of financial security and independence for everyone, not just those getting the education. In 2014, Deloitte valued the contribution of tertiary education to Australia's productive capacity as $140 billion, of which only $24 billion accrued to the university educated themselves[4]. The "spillover effects", Deloitte found, delivered a $116 billion boost to the non-tertiary educated in the wider economy. They garnered 83% of the benefit of taxpayer investment in higher education. For every one percentage point increase in the number of workers with a university degree, the wages of those without degree qualifications rose 1.6 to 1.9 per cent.

And yet the current federal government has persistently increased fees and debts for all higher education students and has attacked the tertiary education sector at every opportunity. This unnecessarily disadvantages and even impoverishes young people, particularly those who seek to carve out a career in social services such as teaching, childcare, aged care, disability services, nursing, social work, and legal aid. As such *Australia Together* proposes a **strategy to abolish the**

[2] Commonwealth of Australia, Competition Policy Review, Final Report 2015, https://treasury.gov.au/publication/p2015-cpr-final-report

[3] Royal Commission into Aged Care Quality and Safety, Final Report Volume 1, page 50, https://agedcare.royalcommission.gov.au/publications/final-report

[4] Mike Seccombe, "Turnbull's war on universities", The Saturday Paper, 6-12 May 2017, https://www.thesaturdaypaper.com.au/news/education/2017/05/06/turnbulls-war-universities/14939928004602

higher education debts of these invaluable and under-appreciated workers (Soc05.01.01). This will mainly cover women. It will strengthen their ability to contribute to the economy.

And to give our ***kids*** a better start in their education at the same time, *Australia Together* also includes a **strategy of universal free childcare** (Soc11.01). These strategies are founded on a recognition that lifelong education is the key to adaptability in an economy and to every individual's ability to realise their full potential in life. As I mentioned in Part 1 of this episode, our ability to realise our full potential in life, as individuals, as members of a family and as citizens is central to our aspirations. It's what Australians, for at least the last decade, have been saying they really want for the future and ACFP has documented that in the draft Vision for *Australia Together*. But it's not just been included in the vision for *Australia Together* simply because it's a real aspiration of Australians. That particular aspiration is central to the success of the economy. Economic success depends entirely on everyone being able to find exactly how they can best contribute to their fullest potential. That diversity must be invoked and capitalised on if the economy is to grow sustainably.

6. Strategies for restored fairness in how public funding is raised

Of course, all of this requires us to create a sustainable base of public funding and to raise that funding in a much fairer manner than we do now. So *Australia Together* includes strategies to help with that too.

These strategies acknowledge that the taxation system is set up at the moment so that business is benefitting disproportionately from public assistance. Business is putting in much less than it's taking out. As I showed in Part 1 of this episode, the income that Australians raise every year by their hard work – admittedly with the assistance of private sector capital, but mainly by their hard work – that income is no longer being returned to them in benefits of wage growth and services to the extent it used to be.

- In 1975, 62% of national income went to Australians in wages and the share that went to corporate profits was only 17%.
- But by 2021, only 51% of national income went to Australians in wages and the share that went to corporate profits had almost doubled to 30%.

And when we put that together with the fact that corporate tax forms only 19% of the national income that we can put aside each year in the federal budget for our wellbeing, safety and security, we can get the picture of how unfair this has become. If capitalism is about a fair bargain between those who put in the financial capital and those who put in the human capital and their own extra financial capital as well – like from our superannuation – then the bargain isn't being run fairly in Australia at the moment.

The unfairness has been exacerbated by neoliberal preferences for regressive taxation – where the poorer bear an increasing proportion of the burden of raising national revenue via tax. Progression in our taxation system was dealt a body blow in 2018 and 2019 when the Australian parliament legislated to remove over $300 billion in tax revenues from the national accounts over the years to 2030. These tax cuts were marketed to us by making it look like Australians would be able to keep more of their wages to spend on themselves as they might prefer. The theory was that in a free market, if we give people more of their tax wealth, they will spend it and stimulate the economy. That makes sense up to a point but unfortunately in this case it added nothing in total to the size of that economy. Instead it simply allowed the private sector to keep wage growth down. In effect we were bribed with our own money.

And worse than that, contrary to the original marketing, 80% of us won't even get to keep that money. As the Parliamentary Budget Office has since revealed, the poorest 80% of Australians will put that $300 billion back in. They will experience a rise in their average taxes over the decade and the top 20% of income earners will enjoy a drop in their average tax. It was a really nasty sleight of hand that ripped capacity out of Australia to fund essential services and to fund them equitably.

To restore fairness here, *Australia Together* accordingly includes a **strategy to reverse or at least suspend the regressive income tax measures legislated since 2018 (Econ04.03) until an Accord is agreed on Wealth, Welfare and Wellbeing**. That Accord is required to build confidence among Australians that any new deal that might be struck to restore the economy, for instance, a green new deal, is one that is actually fair to all Australians and is more likely to be honoured by governments in accordance with the stated principles of fairness.

There hasn't been much if any interest by governments in striking deals with Australians about how their money is spent since the last time Australia achieved an accord between unions and the Hawke Keating government on prices and incomes back in the mid-1980s. That accord, which employers didn't participate in, ushered in a long period of economic growth unparalleled in the developed world. Apart from the 1991 worldwide recession, Australia was insulated from all other global economic downturns[5]. So when Australians sit down and transparently agree on deals, they can come up with wonderful deals that are in everyone's interest – deals where they share burden and benefit fairly during economic transitions.

The Prices and Incomes Accord of the 1980s was a deal where Australian workers promised to accept wage restraint in exchange for a decent welfare safety net, including Medicare, better access to education, a reformed industrial relations system and control of price increases. But by the 21st century, once neoliberalism had taken fuller hold, what we ended up with was all the wage restraint and none of the welfare, education, fair industrial relations or price controls. One partner in the deal, the government, had withdrawn. We no longer have the fair sharing of burden and benefit we enjoyed because of the Prices and Incomes Accord.

An accord on wealth, welfare and wellbeing would reinstate that fair sharing and it would improve on the original deal. It would be a much wider deal drawing together all Australians including employers to springboard us ALL, workers and business owners alike, into an entirely new way of sharing national wealth not just among ourselves now but between the current and future generations.

Tax legislation which shifts the burden onto the lowest income earners, as did the tax cuts legislated in 2018 and 2019, don't just attack that sort of desired fairness, they completely de-stabilise our ability to provide for our own welfare and wellbeing throughout our lives and beyond. And the disproportionate favours done for big business and the banking and financial sector since 2000 mean that serious adjustments now need to be made in taxation to restore not just fairness, but security in the nation's financial future.

Australia Together currently includes a couple of starting strategies in that regard. The first is a **tax on super-profits by any corporations with an annual turnover of more than $100 million** (**Econ04.04.02**). The strategy suggests a minimum tax of 40% applicable to all big businesses, including multinationals operating in Australia. This would be applied to profits remaining after normal corporate income tax and a fair return to shareholders. For an example of a possible model

[5] ABS 5206.0.

for the super profits tax viewers may wish to browse the Parliamentary Budget Office Costing web page[6].

But this strategy is a relatively small adjustment compared to another **strategy in *Australia Together* for the introduction of a corporate cash-flow tax** (**Econ04.04.01**) to replace the current corporate income tax. This strategy has been suggested by Ross Garnaut in his recent book[7] on restoring the Australian economy after the pandemic recession and it deserves to move up on the national agenda.

A cash flow tax on all businesses, small and large, would have a number of benefits particularly for increasing the capacity of new small businesses to compete against established big business, so it will help reverse some of the anti-competitive trends that have arisen under the old National Competition Policy. It will also:

- reduce if not negate the potential for offshoring of profits and tax evasion by big business,
- help reverse the recent trend of reduced private capital investment – thereby adding to employment opportunities, and
- it will improve returns for Australians from exports particularly of minerals.

Because our tax system generally taxes profits after sales instead of taking a rent for extraction or use of resources, returns from the mineral resources that Australians own have been diminishing. Our governments do receive some royalties for mineral exports but nowhere near what they should. In the last decade, the mining industry sold $2.1 trillion worth of Australian mineral resources overseas but Australian governments received royalties of only 5.6% of the value of these exported resources[8]. Australians have gifted 95% of $2.1 trillion in revenue from the mineral resources they own to a small number of huge corporations. That gift is in addition to tax breaks achieved through offshoring of profits by these corporations and other accounting rorts.

In effect, if we change the way we currently tax businesses, we can reverse this sort of distortion. More than that, we can remove a systemic bias in the current tax system which favours established firms over new entrants. With a cash flow tax, all businesses, not just established businesses, if they make a loss after capital can claim a tax credit in the year that they make the loss. New businesses can't generally do that at the moment and this is reducing risk taking by new entrants in the private sector, which is of course reducing competition and contributing to the consolidation and growth of private monopolies.

In the Garnaut model, a cash flow tax would change the way taxable income is assessed and allow businesses to smooth out losses in the early years of their investment, which enables them to get past start-up difficulties, and stay in business longer so that when they do recover their capital and make positive cash flows down the track, they can then pay full tax, which Garnaut suggests could be

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[6] Parliament of Australia, Parliamentary Budget Office, webpage for "Publicly released costings or budget analyses outside the caretaker period". See the costing on a Corporate Super Profits Tax prepared for Adam Bandt MP, 18 June 2021, https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Costings

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

[8] Callum Foote, "Mining lobby exaggerates taxes and royalties paid by $45 billion", Michael West Media, 21 May 2021, https://www.michaelwest.com.au/mining-lobby-exaggerates-taxes-and-royalties-paid-45-billion/

set at 30%. If a super profits tax were to be introduced, then businesses with turnover of $100 million might be levied with more.

Regardless of what the rate eventually turns out to be, a cash flow tax means that businesses will pay the tax that established business are increasingly avoiding now because while the cash flow tax would:

- allow an immediate tax deduction for all capital expenditures, and
- provide a cash credit for any negative cash flows, payable at the time of the tax return, it would also
- deny tax deductions for interest payments and financing costs, and it would
- disallow deductibility for imported services unless it can be demonstrated that the costs were incurred directly in producing the service for the taxpayer.

These last two changes close off international tax evasion loopholes that are currently killing tax receipts in Australia but they close those loopholes without discouraging investment. In fact, a corporate cash flow tax is likely to reverse falls in private sector capital investment in the Australian economy and since that would lead to higher employment it would help restore federal taxation revenues down the track without increasing inequity and the burden we are currently placing on the less well off.

If this were to be introduced with something like the social wage (**Econ02.04 and Econ02.04.02**) that I spoke of in Part 1 of this episode, the stimulatory effect for our economy would be quite extraordinary. The sheer volume of money circulating in the economy would be more than enough to ensure equitable access to services necessary for the welfare and wellbeing of all Australians.

What we would need to be careful about is that we spend the money on things that can be delivered in a sustainable way. That means using it for consumption that doesn't deplete natural resources faster than they can be regenerated. That means expanding the proportion of our economy founded on human services in health, education, welfare, conservation, housing, renewable energy, and efficiency in buildings and transport (**Econ02.04.01**). These services can be delivered with less consumption of scarce natural resources and they provide for rapid circulation of money equitably and productively through the economy.

Value added by Strategies for a new economy in *Australia Together*

These and the other strategies I've highlighted in this episode offer a holistic, integrated plan for the economy which is different in some respects to plans currently emerging from thoughtful economists and from progressive political parties. They often suggest great strategies like a corporate cash flow tax or a social wage, but of late, due no doubt to the extent to which neoliberalism has come to dominate the economic direction of Australia, they don't integrate these strategies and they don't include strategies which increase the role of the public sector and taxpayers in the economy. There are attempts to increase government investment but these seem to focus more on increasing expenditure on infrastructure and a bit more on research. They focus on things to assist Australians in private ventures by absorbing their risk for them. That's all well and good but there is so much more that the public sector can and should do with the money taxpayers place in its control.

Every two years, Australians give their governments almost a trillion dollars raised through taxation. For that amount of money, they deserve a bigger say in the strategies we should adopt to ensure it's well spent; because all we are doing at the moment is unnecessarily holding the economy and Australians back.

With *Australia Together*, we can assemble all the strategies we need for a sustainable economy and a sustainable natural environment and we can do all this with confidence that there will be equity and fairness in sharing of burden and benefit if we establish the terms of our economic transition in a new Accord between we the people and our parliaments on Wealth, Welfare and Wellbeing.

Based on that and on the Vision for *Australia Together* we can integrate diverse strategies for:

- a corporate cash flow tax and a corporate super profits tax,
- elimination of poverty,
- universal free childcare,
- fee free tertiary education,
- community oversight of a plan for and progress towards the United Nations Sustainable Development Goals,
- expansion of public sector service provision,
- recovery of ownership of government services and trading enterprises and elimination of private monopolies over public goods,
- a review of the National Competition Policy,
- a safe transition through to our next economy with a National Economic Transitions Commission,
- open and direct community involvement in national planning and national budgets,
- protection of the national budgets and services from capture by corporates, and
- multiple other environmental strategies.

These strategies all support and enhance each other. Taken together they markedly enhance our chances of equitably making a new economy and of safely making the Vision for *Australia Together* a reality.

But the **strategy to introduce a social wage** – in a manner that fits with the terms of a genuine Accord between Australians and parliaments on Wealth, Welfare and Wellbeing – is probably the strategy that can start the ball fully rolling on all the others. The social wage is a strategy that allows everyone to buy back into their economy and participate using their particular strengths. In allowing everyone to put in to their fullest capacity, while drawing out in equal measures, it achieves expansion with fairness.

Still, many Australians, particularly those from the working class, might be suspicious of a strategy in which taxpayers give even the very wealthy the same amount of support from the national purse as they give to the poor. Conversely many Australians from the middle and upper classes might be suspicious of a strategy which supports the poorer classes and the unemployed. Both upper and lower classes might baulk even though they both are likely to say that all citizens of this nation are equal in rights and before the law and that the gap between rich and poor in Australia is too wide.

There are remarkable benefits to be gathered in wealth for the whole nation if we extend our sense of our equality beyond the field of human rights and law and into the field where we share financial burden and benefit more equitably than we are doing now. So in Part 3 of this episode I'll explain how a social wage might be introduced in a manner that builds equality in that particular field and how it could work in practice to the benefit of all Australians, rich and poor alike.

Click here or on the picture below to view Part 3 of this episode.

Click here or on the picture below to view Part 1 of this episode.