Australia Together
Podcast

Australia Together – Podcast Essays

Transcript of Series 1

Conversations with Australia's Treasurer about building an Australian people's economy

In February 2023, Australia's Treasurer Jim Chalmers released an essay on the economy called Capitalism After the Crises. A few months before that he also expressed a desire to have a conversation with "the Australian people" about "how we pay for the services that they need and deserve and have a right to expect".

In this essay ACFP's Founder Bronwyn Kelly replies to the Treasurer and offers some ideas about how Australians may participate in conversations with the government not just about how they might pay for the services they deserve but also how their values might influence the shape of Australia's next economy.

This essay was delivered in four parts by podcast in March 2023.

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Part 1 – Jim Chalmers is up for conversations about our economy. Australians should chime in.

Australia may have just got lucky (or at least luckier) with the appointment of a Treasurer who thinks about wellbeing. It is a relief after forty years of the dominance of neoliberalism in western economies to hear a national Treasurer suggest that the wellbeing and values of the Australian people should shape their economy. This is what Australia's Treasurer Jim Chalmers has offered as a manifesto in the essay he published in The Monthly on 1 February 2023, Capitalism After the Crises. In this essay he professed to understand "the people's appetite for a more conscious sense of wellbeing" after the experience of the Covid-19 pandemic and he argued for the need to put the values of Australians "at the forefront of how our economies work". He said that if we fail to do that we will "leave behind reams of wasted talent, a degraded environment and social dislocation – all of which threaten to diminish the productive capacity of our economies and ability to create 'value' in the first place."

The election of a Labor government in 2022 has lifted the lid on discussions about how the Australian economy may be re-shaped so that it functions in the way Prime Minister Anthony Albanese has said it should. He wants an "economy that works for people, not the other way around". And a new willingness from this government to establish respectful conversations with stakeholders in the economy is evident from the swift completion of the Jobs and Skills Summit in 2022 and more than 100 roundtables held prior to the Summit in communities across the country. A willingness to listen – at least to major stakeholders – is clear.

But how can we establish the parameters for a truly meaningful, more inclusive conversation between the government and Australians at large? How can more Australians participate in talks with this new, thoughtful Treasurer so that we make the most of this opportunity for discussion? How can we give ourselves the best chance to build the inclusive sort of economy the government says it wants?

For his part, it would appear that Treasurer Jim Chalmers is up for different conversations with different stakeholders in the economy. He's up for a conversation with

> the Australian people … about how we pay for the services that they need and deserve and have a right to expect.

In other words he's happy to involve Australians in a conversation about tax. We might infer from this that he wants to talk about whether we might pay more tax overall to cover the cost of our growing need for services, or perhaps scrap the Stage 3 tax cuts due in 2024 in the interests of equality and protection of our existing services. But based on his essay it's apparent that when it comes to the business community the focus of his preferred conversation is not about what either individuals or businesses pay in tax. It's about how businesses will spend public funds and where they will choose to direct their investments.

The Treasurer is hoping to facilitate a conversation with business leaders to encourage them to direct their investments toward the public good and so he is segmenting his audience: one conversation with Australians about tax and another with business about the structure of the economy and the mix of markets within it. This is likely to limit the involvement of Australians in the wider ranging conversation about their economy. It will limit the extent to which Australians and the government can work together to build a truly inclusive economy that works for people, unless of course the people of Australia find a way to chime in on that wider conversation.

In this four-part essay responding to Jim Chalmers, I will argue that if the government's objective is indeed an inclusive economy – one which increases participation, particularly of women, and draws on the talents of the whole population – then it will be very important to bring these two conversations together so that more Australians can participate in both.

In his essay the Treasurer has stated his working assumption that inclusion is a precondition for the robust economy Australians need. According to Chalmers, inclusion is

> something that makes our economies stronger, not just something we can pay for when the economy is growing.

But as he is structuring the conversations at the moment, he risks giving too much weight to the economy as business would prefer it to be and not enough to an economy in which Australians are the centre. If the intention is that Australians will become the purpose of their own economy, not the other way around, then we will need a more inclusive conversation and we will need this on an ongoing basis.

In general, governments are not inclined to bother Australians at large with conversations about the economy. On tax – maybe they are willing to talk. On the economy – not so much, if at all. Conversations about the economy are usually conducted in the halls of privilege between governments and powerful elites, not with everyday Australians. But this patronises Australians to a degree that is unnecessary in a wealthy, educated nation, and to a degree that is anomalous and even self-defeating if the objective is to build an economy that works for people. Instead of maximising participation, the political tactic of splitting the conversations and segmenting the audiences reduces the chances of building the sort of cooperation between people, businesses and governments that is necessary to achieve an economy that delivers what people want and need at all times, rather than "just when it is growing."

But it is possible to run these conversations together and in order to help the government master that we can start with a response to the Treasurer's essay which covers how the most productive conversations can be organised. In the main, his essay is about how Australia can learn from the economic crises of recent decades. But there is other learning that can be offered in response. This is about how a thoughtful Treasurer can have truly respectful and meaningful conversations on an ongoing basis with the Australian people to establish and maintain an inclusive economy. So I'll begin by looking at how can we arrange that.

A meaningful conversation with a thoughtful national Treasurer

In Capitalism After the Crises Australia's Treasurer Dr Jim Chalmers argues for a growth model of the economy that "puts equality and equal opportunity at the centre" and he suggests we can achieve that through something he calls "values-based capitalism". The essence of his argument is that in the 21st century the world has faced three big crises – the Global Financial Crisis of 2008, the Covid-19 pandemic, and now global inflation – but to date we have not demonstrated that we have learned well from these crises. In Chalmers' view, successive leaders have failed to find their way conclusively or convincingly past the neoliberal form of capitalism – that form which promotes small government, less taxation especially for the rich and for corporations, less public ownership or operation of assets and services, and less regulation of markets and impacts on the natural environment. Unambiguously, Chalmers has diagnosed neoliberalism as the cause of Australia's economic problems. And, in effect, his solution is that we should reverse it by remaking capitalism into a human-centred economic system where partnerships between governments, labour and business support what he calls the "for-purpose" or "social purpose" economy.

Chalmers sells this as the project of an unabashed optimist convinced that we can and must

> build a better capitalism, uniquely Australian – more confident and forward-thinking; more aligned with our values; based more on evidence and integrity; more capable of building resilience, not just building buffers.

Essentially this project might be described as a makeover of capitalism – capitalism with a human face. And if we are to ensure that this makeover is not merely superficial then it is certainly worth a conversation. If there is a genuine intent to build an inclusive economy that promotes equality, wellbeing and human values but also offers businesses the thing they value (profit), then we should all clamour for the opportunity to participate in the conversation.

That said, it is not all that evident in the Chalmers essay that Australians at large are to be invited into this conversation. The overwhelming impression is that this is to be a conversation between those who are already powerful in business, government and probably unions. Nor is it all that apparent that the makeover itself will be more than superficial. There is an optimism in the essay that neoliberal capitalism will be easily transformed into values-based capitalism without too much resistance from those who've benefitted most from the neoliberal form. The direction is worthy and even inspiring – who, after all, would not wish for a form of capitalism that is socially oriented if such a thing were a realistic prospect? Chalmers certainly thinks that the transformation he is proposing is realistic. He promotes it as

> Optimism and realism – two defining characteristics of our people, and of the best of their governments.

It's great to see him standing up for this. But it must be said that to the extent his essay describes the means by which we might achieve this transformation, it is missing some things that are vital if the makeover is to be more than superficial and fully successful for Australians, business and the economy as a whole. Three of the biggest missing things will be discussed in this essay in reply to Dr Chalmers.

- The first is the lack of any intent to engage in a conversation with Australians about what they actually value and what wellbeing means for them – an understanding of which is essential to any program to deliver the sort of wellbeing Australians want and need.
- The second is the lack of intent to conduct a conversation with business about building a national competition policy which actually fosters fair competition – an essential ingredient of a healthy economy which works to deliver what people really value in the most cost-efficient way.
- And the third is the lack of an understanding about the need for a conversation with Australians about fairness in their economy – by which I mean fairness not just in taxation but also in distribution of the national income and wealth that Australians work hard generate.

We need meaningful conversations about these three things and Chalmers has at least opened the door. They are essential conversations if we wish to build a people-centred economy. This essay in reply to the Treasurer deals with how we might have them. I will speak first about the conversations we should have about a values-based economy, then those we should have about a competitive economy, and finally those we need about a fair economy.

Part 2 – Conversations about a values-based economy

The neoliberal form of capitalism is one that is poorly regulated, predatory, excessively private sector controlled, exclusive, and it abjures fair competition. Few if any progressive economists would disagree that that type of capitalism is the cause of our current economic woes. After all, forty years of the privatisation and deregulation promoted by neoliberal governments has given us nothing other than a decline in productivity, low wages and growth in all types of inequality including income, wealth, gender and intergenerational inequality. It's also given us an explosion of private monopolies and attendant problems of market concentration, and a loss of or inaccessibility to services that are essential to what really matters – the wellbeing of people. Neoliberalism is indeed capitalism bereft of social purpose. This is so obvious that in his essay about Capitalism After the Crises Australia's Treasurer Jim Chalmers does not waste time trying to prove yet again the connection between neoliberalism, economic decline and growth in inequality. Instead he focuses on the opportunity we have in the 2020s to learn how to do things differently.

For Chalmers, doing things differently involves starting with good information about the level of wellbeing we have now and measuring changes in that over time to determine whether policies are working to improve our quality of life. He is working with Treasury to build a framework for monitoring wellbeing which he intends to announce in a "Measuring What Matters Statement" some time in the middle of 2023. ACFP has made a submission to this project.

From a podcast interview about his essay it is clear Chalmers imagines a national wellbeing measurement framework which will build on the OECD's wellbeing indicators framework and will contain around 25 indicators of what matters most to Australia and Australians. Presumably he is anticipating that in the event that trends on these indicators take a turn for the worse, this will provide a good system of guidance for policy adjustments necessary to restore a positive trend of wellbeing.

This is a logical approach to policymaking for the public good but it contains a number of inbuilt limitations. One of those is that because it is essentially backward-looking it means that we will be locked into reactive (as opposed to proactive) approaches to policymaking. This sort of measurement framework forces us to put off the opportunity to optimise policies until such time as things get worse – and so much worse that it has become obvious in headline indicators of decline in wellbeing, such as massive increases in mental health problems or homelessness. In this arrangement, policy adjustments are always derived from a misery we should not have created in the first place.

This is not to say that we should give up on the idea of measuring wellbeing. On the contrary. But if we confine our approach to securing wellbeing to one where we do nothing more than gather better data to look back on mistakes, then we will be doing little more than consigning ourselves to an unnecessarily bumpy ride. And the conversations Australians might have with their governments (assuming each government is willing to have them at all) will always be about the mess we have made and the lottery of who gets to have the next shot at fixing it (assuming anyone can).

Chalmers' essay is in fact a demonstration of the limits of this backward-looking approach to measuring wellbeing. Taking neoliberalism for the colossal mistake that we now know it is, he suggests we should react with what he regards as an "opposite" approach, which on the surface makes sense as a possible fix. That ostensibly opposite approach is to be manifest by government leadership in renewing and restructuring markets. He says,

> Here, government has a leadership role to play: defining priorities, challenges and missions – not “picking winners”. This is critical to guide how we design markets, facilitate flows of capital into priority areas, and ultimately make progress on our collective problems and purpose. The neoliberal model is the opposite of this. It pretends to be agnostic on these questions, but ultimately a choice is still being made through passive de-prioritisation and the perverse outcomes and greater vulnerability that emerge over time.

For the moment we can leave aside any discussion about whether Chalmers is describing opposites here – whether there is much difference between the neoliberal model and a system in which governments “facilitate flows of capital into priority areas” in partnerships with the private sector. At this point it is likely to be more useful to dwell instead on Chalmers’ suggestion that we should change the decision system so that we use it to shift investment in Australia towards public value. He is committing to introducing a new relationship of collaboration and “co-investment” between government and the private sector,

> recognising that government, business, philanthropic and investor interests and objectives are increasingly aligned and intertwined.

It is noticeable that the interests and objectives of Australian people themselves aren’t mentioned here, even though they are supposed to be the “centre” of it all. But putting that to one side, Chalmers’ argument is that values-based capitalism will henceforth be enthusiastically embraced by business and that this will overcome the neoliberal perversion of capitalism, reinstating a market economy that once again works for people. His central assertion – after the teachings of Mariana Mazzucato – is that in capitalism

> markets built in partnership through the efforts of business, labour and government are still the best mechanism we have to efficiently and effectively direct resources.

This is an expression of faith in markets if they are well regulated and run cooperatively for the benefit of all, not just for some. And it’s an avowal that if markets are run as partnerships between business and government they will be sufficiently “inclusive” to reliably and efficiently deliver what the community actually values and needs.

There are a few issues with this. To begin with, we would need to rely on the good faith of all players, not just in individual markets but also through time, by which I mean across periods of change in governments and perhaps in periods of relaxation of regulations requiring businesses to act consistent with the public interest – in other words, in those periods of market failure that inevitably arise from regulatory failures. In particular we would need to be assured that private investors who may be the beneficiaries of investment of public funds would shake off their past irresponsibility and forever after honour obligations to provide social returns. Chalmers assumes, though his experience in forums such as the Investor Roundtable, that there is a will within business toward the public good – that there is what he calls

> a genuine appetite among so many forward-looking businesspeople and investors for something more aligned with *their* values, and *our* national goals. [Emphasis added.]

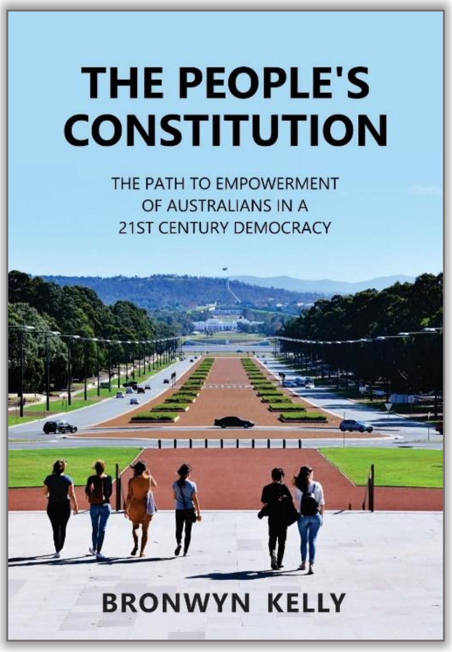
This is a rather more benign image of private investors and corporations than we have evidence for. Despite some indications that the corporate world has discovered “environment, social and governance principles" [(known as “ESG”)]() and “corporate social responsibility” [(known as “CSR”)](), an alignment of business values and *national goals* is yet to be demonstrated in any reports I have examined – and for the purpose of offering consolidated reports to Australians about their wellbeing, such as *The State of Australia 2020* and *The State of Australia 2022*, I examine quite a lot. If anything, the evidence suggests that state capture by corporations is now so firmly entrenched that corporate values have eclipsed national goals. An alignment is not in evidence, and certainly not as a national trend. Moreover, public-private partnerships exhibit little if any of the ethics and commitment necessary to deserve the name “partnership”, and certainly not a partnership of equals. This applies notwithstanding the discovery of ESG and CSR by more enlightened businesses.

No doubt there are some good souls in the business sector who are looking for investments that are in the public interest. There is doubtless an appetite among investors, for instance, to avoid investing their wealth in businesses exposed to climate risk. But that appetite only arises from the desire to avoid losses rather than from any more altruistic alignment with national goals. Indeed, the desire to avoid climate risk is likely to be more about ensuring businesses have built up sufficient investments to allow them to offset any losses that might arise from the more risky but high return investments businesses still want to make in fossil fuels. As such, there is little in the market behaviour of capitalism to suggest that businesses will shake off their instinctual greed for the sake of the wellbeing of nations. Their capacity to resist the temptations of rent-seeking, especially while they maintain limited liability for the invested funds of others, is highly dubious. At least we should view it as dubious based on the evidence to date.

It is a good idea to build a wellbeing measurement framework and there should be no doubt about Chalmers’ assertion that “what we measure directs our action”. Australians might also be thankful that at last we have a Treasurer who is willing to pursue an agenda that “puts [human] values in the place of [business] value”. But if we want the most useful wellbeing indicators framework – if we expect that it will guide us towards the policy decisions that actually deliver what we really value – then there are a few gaps that need to be filled in Dr Chalmers’ approach.

Any Treasurer seeking to build a wellbeing indicators framework capable of efficiently guiding policy to deliver what Australians value needs to start by asking them what they value. Chalmers has missed this fundamentally important step. Had he taken it, he would have found that Australians value more than the things that would or could be measured by a backward-looking wellbeing indicators framework of the OECD style and this might have resulted in a different or additional set of strategies – those best suited to creating values-based capitalism. In his zeal to offer hope through leadership he has assumed he knows enough about what we value to build policies that will reliably deliver it. But it is likely that he has missed at least half of what it is that Australians value, if only because he is focussing on our wellbeing now, to the exclusion of what we might want it to be in the future.

Australians highly value some things that unfortunately are typically absent in standard wellbeing measurement frameworks like the OECD's. I've documented these values in extensive research in my most recent book, *The People's Constitution*. Examples include peace, freedom, employment of choice (not just a job as such), and decency in international citizenry.[1] Each of these and several others that are absent in OECD-style measurement frameworks have a major effect on our sense of and our actual wellbeing. Australians also value a particular *future* – one in which their children will flourish. This too is not normally articulated in standard measurement frameworks like the one Treasury is proposing to build. What this means is that a measurement framework which omits deeper consideration of what we value – and doesn't even attempt to articulate it as the primary guiding principle for design of a new economy – will not be as useful for purposes of sound policy development as a wider values-based framework would be.



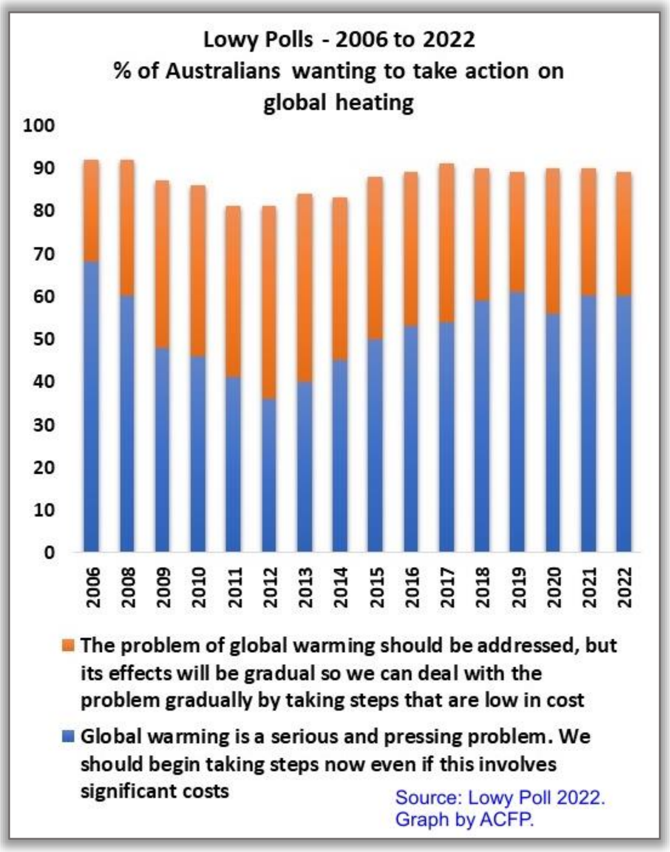
It will not be enough just to measure changes in wellbeing compared to the past on a few high-level indicators (which if the OECD index is anything to go by will, in the main, not be about what the Australian people value) and then react by policy amendments when and only when the trends turn badly on those few indicators. What must be measured simultaneously is whether the trends are bending in the right direction towards preferred targets for the future. The measurement framework needs to be forward-looking as well as backward-looking. And unless it contains both those perspectives and is specific about what we value now and for the next generations, any conversation that a Treasurer may have with Australians will be fundamentally incapable of establishing something as ambitious as values-based capitalism. Luckily, Australia already has a dual vision wellbeing measurement framework that can be useful here. It's called the Australia Together National Wellbeing Index. I'll speak more about that later.

[1] For a wide-ranging list of Australian values in the 21st century see Bronwyn Kelly, *The People's Constitution: The path to empowerment of Australians in a 21st century democracy*, Australian Community Futures Planning, January 2023.

In the meantime, if Treasury wishes to establish a forward-looking values-based measurement framework – one capable of building a values-based economy – they will need to ask Australians what they want for their future. This is not something governments have been predisposed to do. They are naturally shy of unleashing demands they might not wish to satisfy and certainly don't wish to be held accountable at the ballot box for failure to meet those demands. The natural preference of our major political parties is to present Australians with a fait accompli about what they can have rather than ask them whether they want it or not. And what we will be permitted to have, at least in the sort of economy preferred by neoliberals, is always going to be far less than we need.

But if we organise ourselves to articulate what we want for our future, we can then construct an indicators framework which will be far more useful in delivering the future we prefer, and with less mistakes. With that sort of dual vision framework in hand we are less likely to waste time and money on policies that are unlikely to take us where we would prefer to go as a nation.

For instance, had we had such a dual vision framework in hand, we would certainly have started sooner on cutting carbon emissions, well before we ended up in a place of large-scale societal anxiety about impending climate catastrophe. Had governments attended and acquiesced to the clearly expressed aspirations of Australians, they would not have lumbered them with such inept policies. It is a matter of record in [Lowy Institute polls]() that in the 16 years between 2006 and 2022 the proportion of Australians who wanted the government to do something to prevent climate change never dropped below 80%. As early as 2006, over 90% wanted the issue to be addressed, with approximately 70% of that group wanting something done immediately "even if this involves significant costs". So while the people of Australia at the start of the 21st century had the foresight to see that it would be in their interest to begin taking steps to stop climate change sooner rather than later "even if this involves significant costs", or at least consider taking steps "that are low in cost", successive federal governments failed to establish a plan to prevent or mitigate climate change and conservative governments in particular used any argument they could, no matter how unfounded, to kill off every chance of the Australian people to rise to the challenge of climate change and protect their



economic interests and their children's future.

A dual forward- and backward-looking wellbeing indicators framework – one which is more specific about what we value both now and for our future – works more efficiently to weed out weaknesses in policy sooner rather than later, and the Chalmers essay gives us some insight into how a merely backward-looking framework is inherently ineffective as an instrument for identifying the best suite of integrated policy solutions – the ones that are likely to be the most cost-effective in the long run. Had he considered a broader array of the values of Australians, it is likely that he would have begun to build more resilient solutions than those posed in his essay. Building reasonably well on the learning of the last decade, he has – albeit belatedly – identified the policy priorities of an orderly energy and climate transition, a more resilient economy less vulnerable to unreliable supply chains, and a focus on adapting to new technology. And he has homed in on collaboration and co-investment with the private sector as (in his view) the best means to deliver public value. But had he looked towards the preferences of Australians for their future he could have developed a deeper picture of public value which would have inspired a more robust set of policy options – a set of integrated policies which help us transcend the risk of changes in government. For example, he may have figured out that Australians don't want war and this may have helped him shape a budget which relies less on building up arms to start one and more on building social and humanitarian programs to prevent one. It may have helped him withstand pressure from the military industrial complex and a belligerent America intent on prioritising their national interest above ours and in the process cruelling our relationship with our biggest trading partner, China.

He may also have discerned that an economy and services that are resilient through time and less prone to budgetary pressures or political attack are more likely to arise from a strengthened role for the public sector in direct delivery of services by active competition with the private sector. Instead of increasing his faith in the benevolence of businesses and a voluntary alignment of their values with national goals, he may have chosen to establish new policies which can strengthen the safety of whatever public investments are made with what is after all a very doubtful partner when we attend to the evidence about what the private sector has valued. The private sector values profits not people.

It is likely that Dr Chalmers is drawn towards relying on the idea that the private sector will respond with alacrity to his invitations to become a more responsible and fair partner because he is working on the assumption that there are budget constraints for the government in delivering services direct and owning and operating critical infrastructure. He is subscribing to the view that when it comes to what *governments* can do for us we are limited by wealth. Apparently, he is not persuaded by Modern Monetary Theory and its claim that governments are not limited by a lack of funds; or at least he is not inclined to being seen as a Treasurer willing to maximise the advantage of being a sovereign issuer of currency. Clearly he has been persuaded (or at least wants to persuade us) that the trillion dollars of debt his government has inherited constitutes a barrier to direct investment of taxpayer funds in Australians and makes it imperative that he should replace that with investment of those same funds in businesses instead – working on the assumption that businesses will spend that money well.

There is no evidence that the private sector spends taxpayers' funds any better than the public sector. There is more evidence to the contrary if price hikes and productivity falls are used as measures. And because Chalmers' disregard of this evidence seems to have confined him to an approach of fiscal rectitude it has led him to assume he must rule out large public sector projects and government trading enterprises. He asserts that this preference for limiting the public sector as a bigger player in markets is not just a function of a debt laden budget but "a purposeful choice" to

> change the dynamics of politics, towards a system where Australians and businesses are clear and active participants in shaping a better society. This year, our institutions can draw on all the nation's talents.

It is a nice wish for 2023, but to the extent that a preference for balancing a federal budget forces any government to clamp down on spending public funds directly on the public, it does not and cannot establish an economy that draws on all the nation's resources. It does not grow investment in the public good and therefore it does not build resilience into the economy at all. Moreover, to the extent that it syphons public money to private control it actually puts the budget into a worse financial condition – especially if the recipients in business do not play the partnership game ethically and responsibly. The Treasurer's policy suggestion does not constitute a system which will "draw on all the nation's talents". It will tend more to exclude them and lock them into a position in which their role is always to simply bail out businesses when markets dominated by the private sector fail. Also, it is not a system which will allow the public to share value and returns from delivering services to themselves. On the contrary, it is still neoliberalism. It is still picking winners, and the winners are private corporations not the public.

So in the third part of this essay I will look at one option for a renewal of capitalism that is less superficial than the makeover offered in the Chalmers essay. This is not to suggest that the makeover should be abandoned. But there is an additional choice that the government can make for reform and restructuring of Australia's economy so that it is restored as a far more competitive one that's resilient through time and actually does fit with what Australians value.

Chalmers believes that the system of values-based capitalism he has described is a realistic possibility, probably because he is a politician and a superficial makeover of capitalism is politically pragmatic. It would be considered by his cabinet colleagues as a strategy that is less likely to be derailed by the corporate powers that will inevitably be ranged against it. This is the sort of "realism" to which politicians are confined. It's merely political realism and should not be mistaken for economic realism. As an economic strategy it is very unlikely to give Australians a realistic chance of building a form of capitalism that values people, let alone one which restores equality to a point where Australians can once again enjoy a fair share of returns for investment of their public funds.

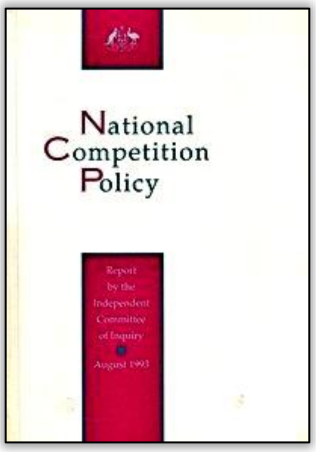
If a people-centred economy is truly valued by the Albanese government, there is an additional strategy that could be considered. This option would add something to Chalmers' optimism that will help the government sidestep the clear weakness of the politically pragmatic approach that relies far too heavily on co-investment with a "partner" whose values and interests are not those of the nation, and far too little on restoring competition so that business has sufficient incentive to behave well as a responsible partner in meeting national goals.

To sum up, an additional lesson the government might learn if it really wants a values-based economy is to ask Australians what they value now and for their future. Then, and only then, can the government begin designing an economy that maximises their capacity to deliver the inclusion the government wants and the sort of wellbeing Australians want. This amounts to a recommendation to the government that cooperation with Australians should come *before* cooperation with business if a new form of capitalism is to be built that values Australians.

At the same time, if the government wants an economy in which businesses offer what the nation values, rather than just pursue profits, then it would be as well to attend to the full depth of the evidence of the failure of neoliberalism and look to solutions which offer the public *additional* capacity to withstand the market failures that arise from it. This will necessitate a tough conversation with business about what it will take to build a competitive economy. Given the power of the corporate sector, this is not a conversation for the faint-hearted. Business will fight back. But if the government approaches the business sector armed with a strong and verified understanding of the values of Australians, the government will be better equipped than it has been to date to stand up for an inclusive economy which can really bend business towards a values-based form of capitalism by reinstating the competition in the market that has been removed by neoliberalism. In the next instalment of this essay in reply to Jim Chalmers, I'll discuss why and how this conversation about a competitive economy should be had.

Part 3 – Conversations about a competitive economy

In his essay, Capitalism After the Crises, Australia's Treasurer Jim Chalmers has imagined a new type of capitalism which puts the values of people at the centre of our economy and he has suggested that the best way to ensure that capitalism delivers what Australians value is to build markets as partnerships between business, labour and government. The emphasis of his strategy is to change the decision systems governments use in economic matters so that we shift private sector investments in Australia towards those that will provide public value. He is committing to introducing a new relationship of collaboration and "co-investment" between government and the private sector.



But when we look at both the evidence of risk associated with excessive reliance on partnerships between business and government and the evidence about what Australians value for the future this strongly suggests that Australians want and need more surety about essential services than has been and can be provided by forms of capitalism like neoliberalism which rely too heavily on private domination of markets and too little on public sector participation. Given that evidence, one major policy option that should strengthen our capacity to deliver the wellbeing and security that Australians need would be to revise the National Competition Policy.

The Albanese government in some sense is considering this, having appointed Andrew Leigh as Assistant Minister for Competition, Charities and Treasury. But it would appear that the impetus of reforms is not towards increasing competition by ensuring the publicly owned sector restores and maintains a solid share in the market – a share sufficient to ensure that there is enough competition to the private sector to keep it competition-fit, and therefore keep it efficient enough so that it lives up to the promise of the "values-based capitalism" Jim Chalmers has imagined is possible in his essay. A competitive private sector cannot be achieved by the sort of small government preferred by those who congregate in neoliberalism's strongest bastions like the Business Council of Australia and the Minerals Council of Australia. Instead the evidence is that when the government sector makes way to increase the private sector's domination of markets and withdraws from providing services and infrastructure direct as a player in its own right, markets lose their incentives to compete by efficiency, and private monopolies emerge to visit a triple penalty on the public – price gouging, low wages and off-shoring of profits. Only the multinationals win in that arrangement.

Jim Chalmers' new manifesto for capitalism does not offer Australians a chance to take back some greater share of the market in services and infrastructure and be present as a player that may once again enjoy more of the returns from delivering services to itself. In his essay he purports to be offering a program to restore competition in capitalism by shifting it away from its neoliberal form and creating new partnerships between the public and private sector. But in reality he is simply offering a reform which presents little if any incentive to shift markets away from corporate greed and irresponsibility and towards public value. If we are to be confident that the public-private investor partnerships Chalmers aspires to will deliver both the “values” of Australians and the “value” expected by corporates, more muscle will be needed in the form of public sector participation and ownership alongside these public-private partnerships, because there is no evidence that the corporate sector has a will to cooperate to the extent necessary, especially in the care sector.

Corporations are likely to take the Treasurer up on his invitation to “co-invest” with the government because it will reduce their risk. But when it comes to efficiently delivering good, affordable services and fairly sharing the returns it will be another story. This is plain from the findings of royal commissions such as that on aged care where the commissioners found that “private providers 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.

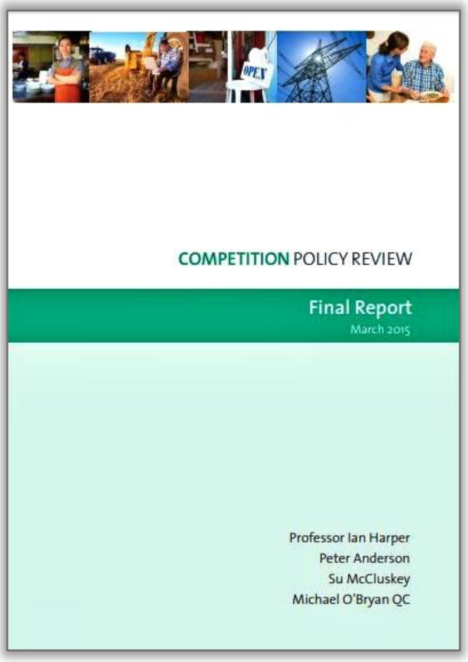
Corporate reluctance to share markets with the government sector is also plain from the reaction to the essay from those residing at the less altruistic end of the business sector – the end which does not want to see governments spending taxpayer funds directly on taxpayers and is still insisting, after all its glaring failures, that the private sector does it better and that it should therefore continue to suppress public sector spending and corral the handouts of public funds towards private ventures. For this end of the business world – the end that persists in the suggestion that our funds are safer with them than with us – partnership with government and the Australian public does not mean cooperation and increased competition; it means more of the same favours to businesses. For the newly elected, business-focussed member of federal parliament, Allegra Spender, for instance, it means the government should be “fixing itself”, not capitalism. It should be “releasing the handbrake on business”, introducing more favourable tax and contractual arrangements for them, and asking “not just what business can do for government but what government can do for business.” There’s not much indication of a will to cooperate there – certainly not in the way the Treasurer may have hoped.

Chalmers published his essay on 1 February 2023 and it took respondents like Spender that are strongly supportive of business less than a week to reject his approaches out of hand, incapable as they were of seeing anything in the obvious decline of the economy that might have been their fault or the fault of the conservative governments who structured markets so heavily in their favour. So there may be something wistfully utopian about Jim Chalmers’ faith that “markets built in partnership through the efforts of business, labour and government are still the best mechanism we have to efficiently and effectively direct resources”. It is far more likely that markets built in strong competition are the best mechanism for efficient resource use, particularly in the oligopolistic market structures we now have in Australia, courtesy of neoliberalism. Nevertheless, his idealism does not seem to have blinded him to the need to reshape markets. He rightly observes that the “considered and efficient markets” he wants “were not what the old model delivered”. He probably means they were not what neoliberal capitalism delivered, although he might mean that Keynesian economics didn’t deliver them either. So it is difficult to know where Chalmers thinks the evidence might reside that suggests partnership markets of the kind he has championed are winners for public value. Suffice to say the evidence isn’t there to support a conclusion that this new model of a values-based capitalism that will rely on fair and honourable partnerships between business and governments has any greater capacity than the old models to deliver public value. In the absence of such evidence it would be best to build as much tough competition back into the market as possible. This strongly implies that a different focus should be brought to bear on how the National Competition Policy might be remade so that it is fit to support the sort of collaboration and co-investment necessary for efficient allocation of resources and a reduction of inequality.

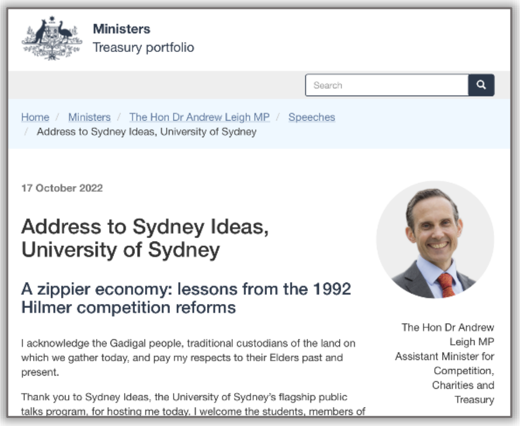
The National Competition Policy was designed in the early 1990s to make room for greater private involvement in public services and markets by levelling purported playing field imbalances between the public and the private sectors. It was built on a premise that the private sector was suffering barriers to entry to new markets because of advantages ostensibly enjoyed by the public sector in ownership of natural monopolies and critical infrastructure. At its inception, the policy was meant to merely level the playing field and ensure access to infrastructure by the private sector on fair terms. It wasn't meant to eject the public entirely from ownership or a share of ownership in services or infrastructure. It was meant to usher in a period of improved capacity for *both* the public and private sectors to compete, and by that means it was meant to result in assurances for Australians that goods and services would be delivered at the lowest long run cost. As it played out though, once the Howard government came to power, privatisation programs premised on an idea (ultimately proven to be baseless) that the private sector operating in free markets is naturally more efficient than the public sector operating in the same markets, functioned to withdraw the public sector far more than it should have from being a player in the levelled field. Instead of services being privatised in such a way as to increase competition, more and more were simply sold off, and sometimes as private monopolies no less. Often they were sold for far less than their value and with contract conditions which actually introduced huge barriers to the public sector in competition. It was a raid on public assets and income streams on a grand scale, facilitated by governments for the purpose of reducing competition for the corporate sector rather than increasing it. To correct this it will not be enough to rely on partnerships between "business, labour and government" as Chalmers prefers. The damage is now too significant for such a softly-softly solution. We now have an economy controlled by oligopolies, particularly in banking, the media, mining, airlines, airports, ports, electricity generation and transmission, roads and transport, health and aged care, laboratories, and vital data bases. And some state governments are looking to expand the sell-offs, most notably the New South Wales government which now wishes to privatise Sydney Water.

Chalmers is of the view that if we are to have a prosperous future we need an inclusive economy, by which he means "we need to draw on all the nation's talents". He is not alone in this view. For instance, the Australian National Outlook 2019 – a consortium of the CSIRO, National Australia Bank and twenty other participating agencies (including three universities, peak not-for-profit NGOs, a range of major corporations and funds managers and the Australian Stock Exchange) – strongly supported this view. So it should be expected that there will be little dispute from the private sector about the benefits of an inclusive economy. However, Chalmers assumes we can attain the necessary inclusion if "governments and investors, can be partners, not protagonists". He probably meant to type "antagonists" there (since the use of "protagonists" is plainly misplaced). But the evidence would suggest that when it comes to creating competition, we need somewhat more antagonism than less and particularly more of the antagonism that can only come from having a big, strong, publicly owned competitor actively working to maximise public value in a well-regulated, fair market. Nothing less than the fear of an able and efficient publicly owned competitor is likely to increase the private sector's focus on national values rather than the single aim of private profit. Without the constraint of the necessary competition from an efficient public sector, the private sector, particularly in less well-regulated forms of neoliberal capitalism, will be structurally geared not to promote social purposes but to embed inequality. Neoliberalism thrives on inequality, so it will be incentivised to continue embedding it unless strong counterincentives can be simultaneously and firmly embedded throughout our market structures. This means bigger government and the courage to stand up for it. Chalmers wants to be a leader. But unless his leadership displays more of that type of courage – the courage to match the near-complete takeover of our markets by the private sector with competitive participation by the public sector on behalf of the taxpayer – Chalmers and the partnerships he wants will be swept aside like feathers.

Australia is home to a large number of adherents to the myth that the private sector operating in free or at least very lightly regulated markets will inevitably be more efficient than publicly funded competitors operating in the same markets. And for more than two decades these mythmakers have sought to complete their takeover of markets in social services and national infrastructure assets. So it should be no surprise that [in 2015, when the National Competition Policy was reviewed](), it did not result in any reform. With the benefit of two decades of experience about the parts of the policy that had not worked well, the reviewers should have picked up the obvious – that the policy was not being implemented as per its original intention of establishing efficient service delivery through fair competition between the public and private sector on a level playing field. But they did not. Instead they made recommendations that set the policy up not just to repeat but to *widen* the original mistakes by approving expansion of the sort of public assets and services that should be exposed to privatisation. This disregarded the obvious negative impacts on consumers arising from the way the policy had been implemented with the playing field so grossly tilted in the private sector's favour. But those negative consequences didn't just arise because the policy was badly applied. They were bound to happen because the policy itself was built on a poor understanding of and commitment to what was in the long term national interest. Mistakes arose in part because the policy was built on short-sighted assumptions held by vested interests – assumptions that public sector contributions to the economy are inherently negative or anti-competitive and comparatively incapable of delivering social value – when in fact the government sector, especially in banking, should never have its participation restricted if we want the economy to grow and restricting that participation solves nothing about uncompetitive problems in either the government sector or the private sector.



Today, adherents to the National Competition Policy have a blind spot about its weaknesses. Andrew Leigh, for instance, sees that it has pitfalls in the degree to which it supports privatisations. "Beware of privatised monopolies," he cautioned in a [speech]() in October 2022 reviewing the successes of the policy. But this did not imply that lessons learned included much in the way of regret for the loss of public ownership and a large part of the taxpayers' stake in the markets that supply social services and infrastructure. There was a lot in the National Competition Policy that was good for Australia but excessive privatisation that removed the public sector as a competitor was not one of those good things.



In effect the partly misconceived and sadly misapplied National Competition Policy is the single biggest cause of the harms wrought on our economy by neoliberalism in Australia. The policy became and remains the cradle of neoliberalism, one around which our governments still sing a lullaby that smooths the way for the next wave of poorly regulated and exploitative capitalism instead of well-regulated, efficient capitalism – the sort that can only come from full exposure to competition. The policy has put Australia's economy to sleep. And because it wasn't complemented by decent competition law and a fully independent competition and consumer commission – in other words, because regulation was weak – Australia ended up selling off assets and services for far less than they were worth in the long run. It also eventually stopped programs of genuine efficiency in the government sector, and everyone suffered price rises for the things we sold into the hands of companies that did not and probably will not support the national interest. No wonder Chalmers thinks that efficient markets were not what "the old model" of neoliberalism delivered.

Dr Leigh has said he will review the National Competition Policy to make "a zippier economy". But the extent to which the sort of reforms he has in mind might help restore competition is uncertain. Leigh recognises that "maintaining competition in Australia's economy is a dynamic rather than a static exercise". He also sees that while the "National Competition Policy reforms were well suited to the challenges Australia faced in the early 1990s, such as the need to reform government businesses", we face new challenges in the 2020s which suggest that "the focus of competition reform in our era should be on the private sector, where there are real concerns about Australia's economic dynamism". This places Leigh in an opposite position to those from the world of business who rose to respond to the Chalmers essay, going into full denial mode about their share of fault in the decline of Australia's economy. So it will be interesting to see if and how these antagonists might settle the country into a more cooperative, zippier economy.

From the perspective of taxpayers, consumers and the Australian community, arguments about which sector of the market (private or public) needs to clean up its act more are at best the arcane self-indulgence of commercial and political interests and at worst a blame game at the continuing expense of Australians. Neither side makes space for the Australian community to once again command a share of the market sufficient to ensure that social services and infrastructure deliver what they truly value reliably and at an affordable price. Neither side seems to have acknowledged that restriction of participation by the taxpayer-owned sector in the economy is a continuation of the exclusive economy they both say they don't want. However, it is somewhat encouraging that Dr Leigh at least has discerned that the necessary reforms will require not just what he calls "cooperation and an alignment of incentives" (presumably for public and private participants in markets) but also "conversations about our vision for the nation".

There are hints here that he might want to swing the conversation back to the topic of the values of the nation and what we want it to become, and that he understands the primacy of that consideration in the design of our economy. There are signs that at least one minister might be contemplating an idea that if the economy is to be remade for people, then the government would do well to seek out their values and what they want for the future of the nation. If that is indeed what Leigh is considering, I would suggest he is on the right track about the sort of conversation with Australians that will be necessary to draw them into the centre of their economy.

It is difficult to know if Treasurer Chalmers would be willing to consider taking a step back for a year or so to consider the design of the economy from the point of view of the *reason* for that economy – Australians. In his eagerness for leadership he has jumped to solutions that focus heavily on making the private sector work better for social purposes. This is a good start and certainly a better offer than Australians have had for a long time. But unless these solutions are implemented alongside a program to address the deep weakness within the National Competition Policy – the weakness which makes it a tool of exclusion of the public from competitive participation in their own economy – then the solutions Chalmers has offered may well fail before they start. Incentives within the current National Competition Policy are not designed to align the objectives of business with those of Australians. Instead they are very likely to result in less opportunity for the inclusive economy that can only come from participation in the market by all potential partners – including taxpayers, consumers and an efficient government sector operating democratically on their behalf. An economy which does not accord the people of Australia a decent share of returns for investments of their funds is not inclusive.

If there is a problem with the Chalmers essay and the responses it has generated from the business sector, then from the point of view of the Australian community it is not really about which sector has been more at fault in our economic decline and which sector needs to be fixed. It is more about a failure to define the purposes for which we might design our next economy.

Chalmers is offering a vision for capitalism but not a vision for the nation. These are very different things and if the former is built without consideration of the latter we are very likely to be following a path to a social, environmental and economic destination we do not prefer. In the broader sense, if the economy is built without consideration of the agreed direction of the nation and the values we wish to hold and exhibit as we track towards a better future, then we are likely to be the victim of an economy controlled by the strongest corporations, especially if we build nothing to shield ourselves from continuation of the predatory behaviours of neoliberalism.

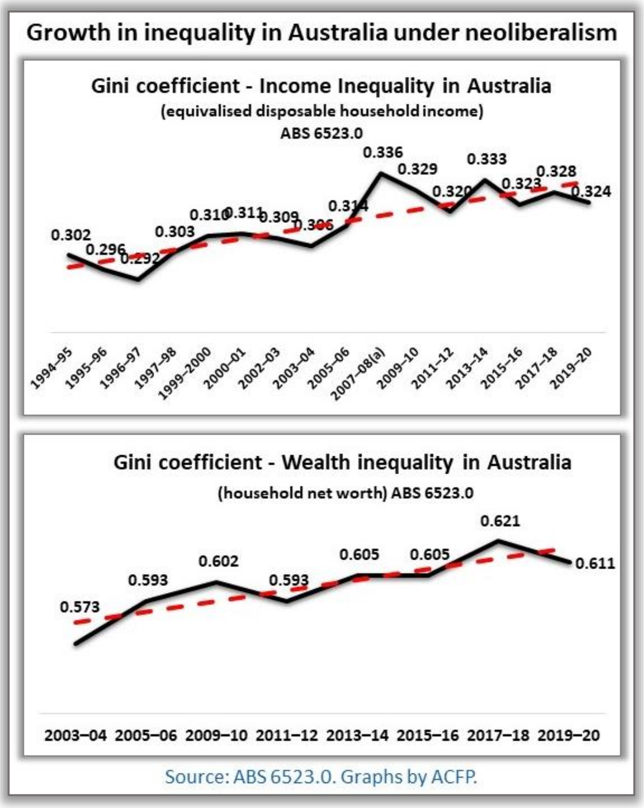
If Drs Chalmers and Leigh prefer to build a new capitalism by co-investing with businesses and if they prefer to continue with exclusion of investment in direct service delivery and infrastructure owned by the state on behalf of Australians for the benefit of Australians, this cannot be considered a capitalism which puts people front and centre, let alone as political equals in an inclusive economy. A values-based capitalism will require the government to put Australians first, not business. To be more specific, the two doctors should put the values of Australians well before the values of business and capitalism. And in the same way that the Treasurer might take a step back to consider the values of Australians before he attempts to build an economy capable of delivering wellbeing, business might also consider taking a step back to look at what Australians value. If business leaders are as well intentioned as Chalmers insists they are, if they care about the nation as well as their own bottom line, then they should have no need to hesitate in participation in programs which seek out the points of alignment between their objectives and national values.

That said, the negative reaction by businesses to the Chalmers essay suggests that the private sector is not yet ready for the necessary introspection about its role in the decline of our economy and the need for all players to change. For its part, business leaders like Allegra Spender are sticking by their claim that they are already doing enough to "support an agenda of making the country better, making our workplaces more inclusive, helping to share prosperity, and making a positive contribution to our communities". Spender claims that "this is demonstrated by the business community's endorsement of paid domestic violence leave and the Respect at Work bill." These concessions are appreciated but they do not amount to evidence that business is willing to share with Australians the prosperity it enjoys for investment of their funds. In other words they are not evidence of a solid desire for inclusion and commitment to equality. On the contrary, the evidence points the other way. For instance, during the neoliberal decades the national income we all worked hard to generate grew to four 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%.

Change in shares of national income, 1975 to 2021

Source: ABS 5206.0. Graphs by ACFP.

The corporate sector gorged on the growth built by Australians and inequality is now significantly larger than it was before the National Competition Policy was implemented in such a way as to stack the odds against poorer Australians. This is obviously a less inclusive economy and it is one that is not likely to be made more inclusive by the few concessions businesses may be prepared to countenance. If this trend of exclusion is 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.



Source: ABS 6523.0. Graphs by ACFP.

No doubt, the last thing business wants is a bigger, more competitive public sector. For business the prospect of greater participation by state-owned enterprises and larger annual increases in expenditure on services by the public sector will threaten the wage control achieved by the private sector over recent decades and lower their excessive profits. But if we truly wish to build a capitalist economy that is for people and delivers what they value, the two Doctors currently running the Treasury will need to add something to their strategy of cooperation and co-investment with the private sector: they will need to assert the values of Australians *before* the values of capitalism.

Their first opportunity to do that is likely to arise if they honour the commitment to have a conversation with “the Australian people about how we pay for the services that they need and deserve and have a right to expect”. Chalmers clearly wants an inclusive economy but that is not something we can establish without a much broader and more inclusive conversation than the one he seems to be considering. If all we are offered in that conversation is the prospect of co-investing with the private sector, that sector’s record of performance means we will be extremely unlikely to build anything other than an economy where too many of us have too little to spend on what we really need.

But it is possible for Australians to have a conversation that will result in the design a people-centred economy. With the aid of a national integrated long term planning and reporting process, everyday Australians can participate in a meaningful exchange of ideas with the Treasurer. Australian Community Futures Planning has developed such a process and it’s already accessible by all Australians. The Treasurer can use it too. It offers an orderly means by which Australians can define the

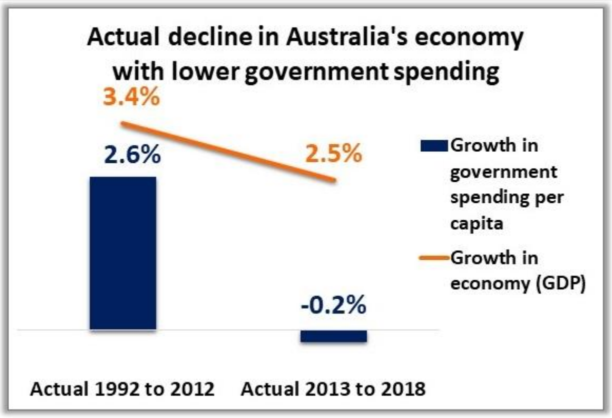
objectives of their economy and develop their preferred paths towards it.

In the next part of this essay I'll discuss how that National Integrated Planning & Reporting process can be used to broaden the parameters of a conversation with Australia's Treasurer about the economy they want to build. A people-centred form of capitalism is a real possibility but it can only arise from ongoing conversations about the best way to build fairness back into the economy – so that all Australians have an equal chance of establishing the wellbeing they need.

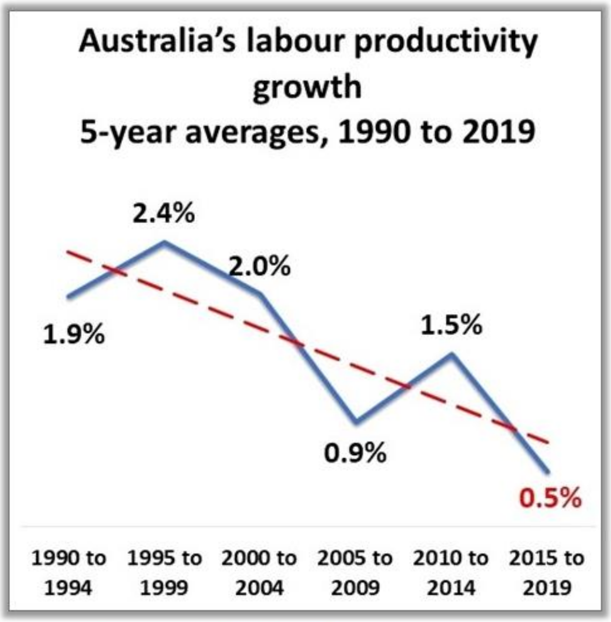
Part 4 – Conversations about a fair economy

In his essay about how he wants to establish values-based capitalism, Jim Chalmers is silent about tax. It is clearly a topic which makes his government nervous, particularly because once we start talking about it at all, it becomes clear that business is strictly interested in talking about tax cuts for them and caps on the total revenue raised by taxation of income. The business sector is not interested in fairness in the economy, especially if it might usher in arrangements for fair sharing of the burden and benefits of taxation.

Peak business advocacy groups in Australia have campaigned incessantly for a tax-to-GDP cap and a cap on increases in government spending of 2% per annum. This clamour prevails despite the fact it makes no sense economically, especially if the goal is economic growth. The taxpayer funded sector generates a quarter of the nation's GDP, often more. It is the biggest single collective participant in wealth generation but business has concluded that 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 government sector per capita spending grew on average by 2.6% per annum, the economy grew on average by 3.4% per annum; but when the government started repeated reductions of spending per capita from 2013 onwards, the economy struggled and grew much more slowly, averaging only 2.5% per annum between 2013 and 2018 (before plummeting at the onset of Covid-19). In that period the restriction of taxpayer involvement reduced the size of the economy compared to what it might have been. Productivity also declined. No outcome other than a slump in growth and productivity was possible given the significant withdrawal of government spending direct on taxpayers.

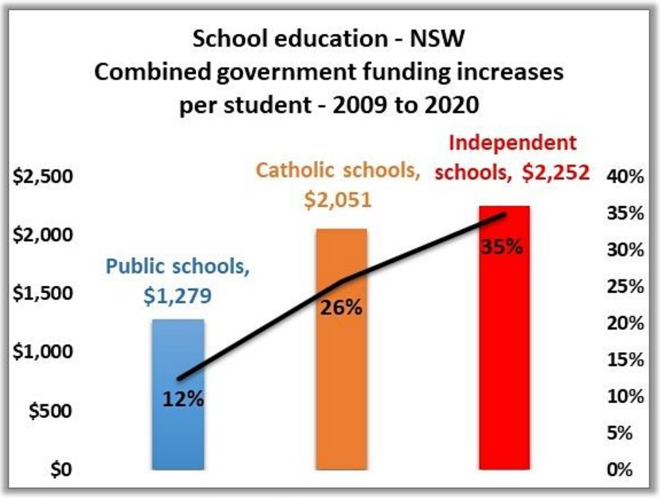


Source: Parliamentary Budget Office, 2019-20 Medium Term Fiscal Projections, Graph by ACFP.



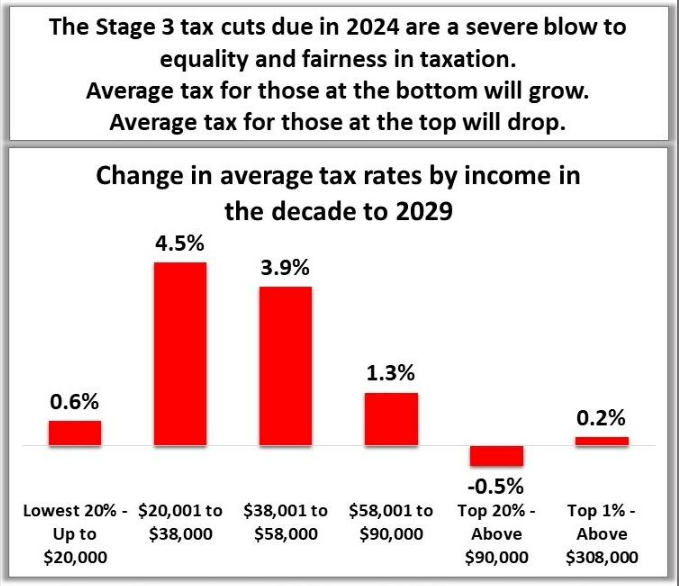
Source: ABS 5204.0. Graph by ACFP.

With the escalation of global heating and the environmental impacts of the excessive consumption characteristic of developed economies, significant arguments have emerged recently as to whether economic growth is a good thing or not. But regardless of the answer it is apparent that lower spending by governments isn't good for anyone, anywhere, any time, although business elites persist in arguing to the contrary. They would, for example, maintain that increased government spending on education has not been good for anyone. The newly elected, business-focussed member of federal parliament, Allegra Spender, went so far as to complain in her response to the Chalmers essay that "billions more are being spent in education, with no real educational improvements to show for it." With the characteristic superiority of the privileged entrepreneur, Spender suggested that "Any business unit with those sorts of results would have a zero-based budget review," and that "We need to institute a rigorous and publicly available analysis of government spending, a process where all department spending is evaluated to see whether the same money [notably not more] could be spent for better outcomes." What she should have observed is that this increase in federal government spending on our kids' education heavily favoured private schools – a distribution of public funds which clearly did not result in better outcomes in educational attainment either for public or private schools – but especially not for private schools. In New South Wales, for instance, despite massive funding increases for private schools compared to public schools between 2009 and 2020, private schools had the biggest declines in international test results. So what Ms Spender should be looking at is not *whether* the same money could be spent for better outcomes but *where* it should be spent for better outcomes, because the current distribution clearly isn't working.



Source: ACARA, National Report on Schooling data portal and Save Our Schools. Graph by ACFP.

Moreover, it is evident from NAPLAN results that poorer outcomes in educational attainment relate strongly to socioeconomic status. Poor kids generally don't do so well at school and do even worse when they're hungry, homeless, Indigenous, living in remote areas, and attending state schools which have insufficient funding because they're getting a meagre share of it compared to private schools. None of this justifies a reduction in government spending (although it might justify a reduction in government spending on private schools). Instead it justifies a repeal of laws which will usher in the massive tax reductions for wealthy people due in 2024, reductions which will do little to nothing to help the millions of Australians who now live in poverty to break the cycle of their disadvantage.



Source: Parliamentary Budget Office, 2019-20 Medium Term Fiscal Projections. Graph by ACFP.

The Stage 3 tax cuts due in 2024 are a severe blow to equality and fairness in taxation. Because of the way the new tax brackets have been structured we will soon see people on low incomes of $45,000 pay the same marginal tax rate as those earning four times as much as they do, an arrangement which might be fair if it were offset by benefits for the poor, and/or free access to vital services particularly in life-long education and/or a properly re-distributive arrangement for national wealth. Without such offsets the unfairness that will be embedded by the three stages of tax cuts that were legislated in 2018 and 2019 will mean that average total taxes will grow for those at the bottom and average total taxes for those at the top will drop. As the Parliamentary Budget Office has shown, in the ten years to 2029 those earning below $58,000 will be hardest hit by the three stages of tax cuts and those at the top will bear less burden than they ever have before.

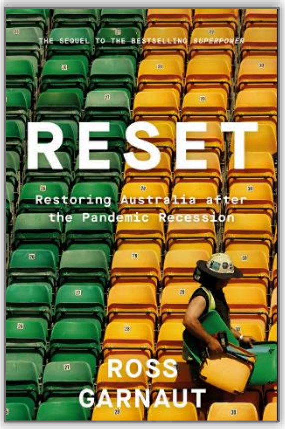
Doubtless, Dr Chalmers is fully aware of this impending increase in inequality. But this is perhaps not the main reason he is "hoping that the Australian people are up for a serious conversation about how we pay for the services that they need and deserve and have a right to expect." It is more likely that he wants to have a conversation that will encourage people to tolerate higher total taxation to cover the costs of things his government wants to fund, which he cites as "health, aged care, the NDIS, defence and the rising interest costs on the trillion dollars of debt" his government inherited. It is not evident that he wants a conversation about fairness in taxation. The word "fair", doesn't much feature at all, in either his essay or his press statement. Moreover, the conversation he is hoping the Australian people are up for is one in which he says he wants to talk *to* people like adults, rather than *with* people as adults who are equals. So it's a little too patrician to be characterised as a conversation.

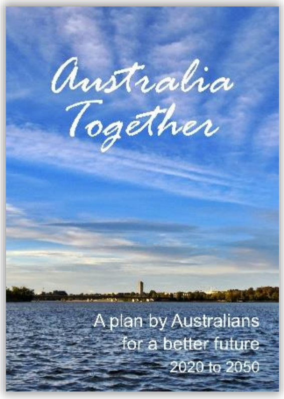
We might take it that the government is as trepidatious about a genuine conversation with Australians on this as it is desirous of extricating itself from a tax law they voted for but which they know will punch a huge hole in their ability to deliver on election promises and will increase the inequality they say they want to reduce. They know they're wedged and so they want the conversation. But it seems they can't decide how, when or with whom they should have it, although they know time is running out.

However, if the government is in need of some courage about repealing the 2024 tax cuts they could do worse than start with a conversation with Australians about the principle of fairness in taxation and distribution of national wealth. Within this sort of conversation they could lay the ground for an agreement with Australians about the principles by which laws about tax and distribution of national wealth should be developed. In effect this could be structured as the first (and hopefully not the last) meaningful and mutually respectful conversation with Australians about what they value and how they would prefer to structure an economy to deliver that value. If conducted inclusively and with genuine respect for diversity and equality, such a conversation has the potential to lead to a new type of accord with Australians on wealth, welfare and wellbeing. This would be different to the sort of accord struck in the 1980s between the Hawke government and trade unions – the Prices and Incomes Accord – in which trade unions agreed on behalf of workers to lower wage claims in exchange for an expansion of the welfare safety net, education and health.

Business was not a party to the Prices and Incomes Accord. Nor might it be expected that business would respond positively to a new form economic accord between Australians at large and the government. But this would not affect the potential to establish a national agreement in which Australians and the government commit as equal partners to promoting the economic and social wellbeing of all Australians. The sort of principles which would underpin such an agreement would be likely to be quite simple. They would include commitments by all to equality of opportunity, fair sharing of the burden of raising national wealth, fair and more equitable distribution of national wealth, and acceptance of public responsibility by Australians as a community for those unable to avail themselves of the minimum provisions for a dignified life.

With such an agreement in place about the principles of fairness in raising and distributing national wealth, there would be the beginnings of a depoliticised decision framework in which the wisdom of any changes to taxation could be assessed. But in addition to this, were the government to simultaneously opt for a conversation with Australians about what *wellbeing* actually means for them, then we would have quite a copious framework in which we could make decisions about the *total* tax needed (in addition to decisions about distribution of burden and benefit). If a conversation about tax is not conducted in the context of what constitutes wellbeing for Australians – and this means current and future wellbeing – the Treasurer isn't likely to achieve much more than a grudging acceptance by taxpayers that they will be required to foot the bill, yet again, for whatever services the government is prepared to include in what will probably be dressed up as a "wellbeing budget" but which may not deliver anything like the sort of wellbeing Australians actually want and need and which certainly will not deliver it at the lowest long run cost. By contrast, conversations which start from the point where Australians are asked what they want in terms of wellbeing now and in the future are far more likely to result in a specification of a standard of living that can be financed with the willing consent of Australians. That would be politically very advantageous for a government. It would also give them access to a level of policy flexibility that they don't enjoy at the moment.





Indeed, there is a plausible scenario of a mutually beneficial option for Australians and the government that can arise from a decision framework that is overarched by the actual values of Australians. This is an option which would give the government flexibility to keep its 2024 tax cuts and still vastly reduce inequality, especially gender inequality. The option would be quite likely to arise from the process of developing the sort of accord I have spoken of between Australians and the government on wealth, welfare and wellbeing. It is an option which builds on proposals already made by one of Australia's most respected economists, Ross Garnaut, in his book, *Reset*, which is about how to recover from the Covid-19 pandemic recession and achieve stable full employment with affordable prices. In that analysis, Garnaut proposes the introduction of a social wage – or what he calls an Australian Income Security. He proposes this for all but the wealthiest Australians alongside a flattened tax system rather like the one already slated for introduction in 2024. The option is also proposed in Australia's first community-built long term national strategic plan, *Australia Together*. It found its way in there because the conversations to build *Australia Together* started by looking in detail at what Australians have said they value and what they want for their future society, environment, economy and democracy.

A social wage (or what is sometimes called a negative income tax or a Universal Basic income) is a strategy that has significant capacity to deliver the future Australians want. Because it integrates the social security system with the personal income tax system it offers a very efficient system of fairly sharing *both* national wealth and the burden of taxation. It is a system which offers budget stability for both the government and individuals because it circulates national revenues fairly and efficiently, spreading out the nation's spending power more evenly to consumers, boosting demand for essentials, which in turn boosts jobs in essential services which in turn raises total taxation income – but *fairly*. In short, because it allows everyone to draw out from national taxation revenues in equal measures and then put back in to their fullest capacity, a social wage, if it's well designed, can achieve economic expansion with fairness.

A social wage is not a topic that any Australian government has yet mustered the courage to talk about. Indeed Jim Chalmers is on record as ridiculing the idea, saying that,

> It would mean dismantling a system that ensures support goes to those who need it most. If it replaced the current system, it would actually increase inequality, not decrease it, by substituting an untargeted system for a targeted one.

This of course fails to acknowledge the contradiction in his own policies on the Stage 3 tax cuts – cuts which will certainly increase inequality and dismantle a system supposed to ensure that support goes to those who need it most, unless of course the tax cuts are implemented alongside a social wage.

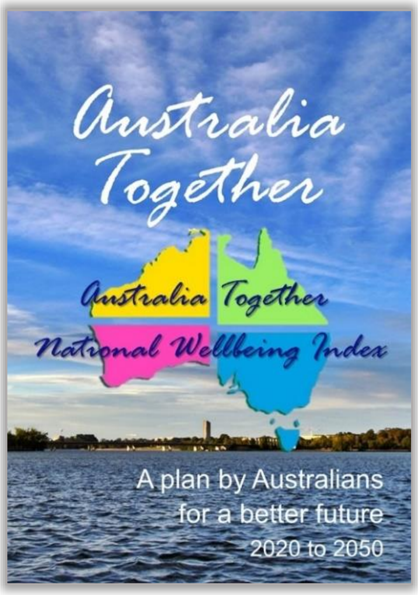
Chalmers first penned his criticism of a social wage in 2017, before the tax cuts were legislated. So perhaps he will review his position. He has stated in his essay – after the teachings of Heraclitus – that a man cannot step into the same river twice because it's not the same river and he's not the same man. In 2024 all rivers will certainly be very different to the rivers of 2017. And if in 2024 we are to be lumbered with a flattened tax system that will obviously widen inequality more than any other single policy change in recent decades, we should be able to consider offsetting that major adverse social impact with policies that restore as much of the equality as we can.

The Jim Chalmers who stepped into the river of 2017 thought about a social wage in terms that limited it to only half of what it actually is. He thought of it as a one-way handout of the government's money to the Australian people rather than as a fairer circulation between Australians of money that is theirs – money they raise, not the government. But with the benefit of a few more years' experience perhaps the Jim Chalmers of 2023 will be able to put aside his ridicule and converse with Australians as equals in discussions about how the wealth they generate is shared and used. A policy which applies a social wage to all but the richest of Australians would be the single most effective means of compensating for the inequality of the Stage 3 tax cuts. It would also be hugely significant in establishing an inclusive economy in Australia, inasmuch it would provide the biggest stimulus to participation of women in the economy. The time for such a conversation is now.

For more information on how a social wage would significantly and fairly benefit all Australians, if it were introduced within the context of a new accord between the government and Australians on wealth, welfare and wellbeing and alongside a new flatter tax regime, readers should view my lecture on the benefits of a social wage on YouTube here. This lecture shows how a social wage can be introduced fairly for all but the wealthiest Australians, with little impact on the federal budget and without increasing inflation.

In other writings I have suggested that Australia's Constitution should include a requirement for governments to enable conversations with Australians about a fair economy on an ongoing basis, as though they are part of a normal cyclical dialogue about how to best fund the whole national project at the lowest long run cost. Politicians are likely to baulk at constitutional enshrinement of such a process as a right for Australians but there is no reason why they should not consider establishing this sort of conversation as a regular event. It would certainly be a way of creating space for the voices of more Australians – rather than just business and unions – in inclusive conversations about their economy. This would increase political equality in Australia which in turn would significantly increase the chances of reducing economic inequality.

Constitutional reform aside, if the Treasurer's aim is to build a more resilient economy that works for people, because it delivers what they really value, then success will depend not on whether he convinces the private sector to act in the national interest but on how well he handles conversations with Australians about what they value. Thereafter it will depend on whether he has the courage to take some steps that will not be favoured by business. If governments want to deliver what Australians value, they will need to pose a more robust challenge to neoliberalism, by increasing public sector participation in the economy, and they will need to commit to ongoing conversations with Australians about what can be done to improve fairness in the distribution of the burdens and benefits of a capitalist economy.



Australians of the 2020s can have orderly conversations with their governments on these topics by using the process of National Integrated Planning & Reporting that I spoke briefly of in Part 3 of this essay in reply to Jim Chalmers. National Integrated Planning & Reporting – or National IP&R – is a process that Australians can use to design their preferred paths to a future of wellbeing and security. It utilises research provided by Australian Community Futures Planning that pinpoints the current wellbeing of Australians, sets targets for desired wellbeing and monitors progress towards or away from that desired level and type of wellbeing. This is called the [*Australia Together* National Wellbeing Index] and it creates a base of evidence that Australians can use in conversations with the Treasurer not just about "how we pay for the services that we need and deserve and have a right to expect", but *what* services we actually need and deserve and have a right to expect. Indeed it creates a basis for a far wider conversation about the purposes for which our next economy should be designed. It establishes a means by which everyday Australians can chime in to the conversations we need and do so in an orderly way. Using [National IP&R] Australians can present the Treasurer with a coherent picture of the inclusive economy they want to build and the services they are prepared to pay for.

Jim Chalmers wants an inclusive economy and he is building a wellbeing index to give him some evidence about whether his policies are delivering that. But we can't build an inclusive economy without an inclusive conversation and that is not something Chalmers is setting up. As I said in Part 2 of this essay, a wellbeing index of the style preferred by Treasury will not do the trick. It will help us mop up mistakes, if we can, but not build a preferred future.

Chalmers needs a forward looking wellbeing index, one that can only be built from a plan developed by Australians that sets out their vision for the future and the paths they are prepared to take to get there. That sort of index is available for use already in *Australia Together*. At least that's a start and it is likely to be more effective in a shorter timeframe than the strategy preferred by an optimistic but not necessarily realistic Treasurer relying solely on the expectation that there will be a spontaneous alignment of business value with national values and goals. This is an idealism which is highly desirable in a national Treasurer but it should be tempered by realism about what it will take to really make an economy that works for people, not the other way around.

If Jim Chalmers is of a mind to embrace long term national integrated planning he is likely to find that it is very efficient in uncovering solutions that build strong, fair economies – solutions like a social wage that he would have missed because he was looking at that option from far too narrow and exclusive a perspective, a perspective that did not take the values of Australians into account. This and other solutions that can arise from the use of National IP&R are the sort of economic solutions that work for people and it is high time for the genuine conversations that will bring them about.