31 January 2019

Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

2019-20 Pre-Budget Submission

To whom it may concern,

GetUp welcomes the opportunity to make a submission to the consultation process for the 2019-20 budget.

As a movement of over one million Australians who care about environmental justice, economic fairness and human rights, we’re conscious of the important role fiscal policy plays in furthering inclusive, equitable and sustainable economic development.

Should you wish to discuss this submission, please get in touch at ed@getup.org.au, or on 0404344965.

Sincerely,

Edward Miller
Campaigns Director, Economic Fairness and Democracy

Summary of Recommendations:

1. Reconsider the merit of pursuing a budget surplus in light of both troubling economic indicators, and contemporary economic thinking on our actual fiscal constraints.

2. Commit to a budget outcome that will support genuine full employment while maintaining price stability.

3. Trial a Federal Job Guarantee framework, alongside investment in a vibrant and world class public service.

4. An immediate raise the rate of Newstart and Youth Allowance payments by at least $96 per week in line with the Minimum Income for Healthy Living.

5. Close income tax loopholes and crackdown on corporate tax avoidance to reverse the trend of growing inequality in Australia.

Executive Summary:

Up until the age of 18, everyone is guaranteed a seat at a school desk at a publicly-funded school. No matter who you are or where you come from, you're entitled to a decent education. It's a powerful idea that deeply resonates with our belief in a fair go.

It wouldn't be acceptable for the government to run out of the money required to provide enough seats for every child. Nor would it be acceptable for the government to cut funding to students, because they didn't meet a particular academic standard, because they lived in a remote area, or had differing needs that required additional resources and support.

Because we've decided that a education is a right, our government guarantees it universally – no matter what.

If despite the challenges of funding and administration we were able to make universal education a reality before the turn of the 20th century, in this century it should be possible to radically expand our social guarantee to meet the challenges of the modern world.

We have everything we need in the way of resources, technology, and skills to build a society where no-one is forced to subsist in poverty. Where a secure, well-paid job is available to all who want one. Where our energy comes from clean, affordable sources like the sun and wind. A society in which everyone has a place to call home, and the skills to build the life they want to lead.

What holds us back today is not scarcity, but the stranglehold of neoliberal ideology, and powerful corporations who for too long have taken far more than their fair share. Corporations who have exploited a political finance system to shout down the voices and needs of everyday people. Corporations who promised us that deregulation, privatisation, and balanced budgets were a prescription for prosperity — that putting our faith in an unregulated market would bring stable jobs, falling prices, and more wealth for us all to share.

After 30 long years of neoliberal consensus, we can judge the results for ourselves:

- The top 1% now control as much wealth as the bottom 70% of Australians combined — income inequality is worse now than at any time in the past 67 years.
- Close to 1.8 million Australians are willing and able to work but don't have a job or don't have enough hours at their job. Those lucky enough to find work have seen their wages stagnate while their cost of living has gone up.
- 25.3% of the Australian workforce are trapped in casual jobs – a whole generation has never known the right to take a paid sick day.

Political leaders and public administrators need a fundamental rethink in some of the assumptions they hold about the role and possibilities of public finance as an instrument of collective wellbeing.

We know that wealth doesn’t trickle down.
We know that the public sector is a better and more efficient provider of essential services.
We know that left alone the market will never grow our economy fairly and inclusively.

We don’t exist to serve the economy, it exists to serve us. And we need our leaders to do more to ensure that it serves us well into the future.

Rethinking the purpose and possibilities of fiscal policy:

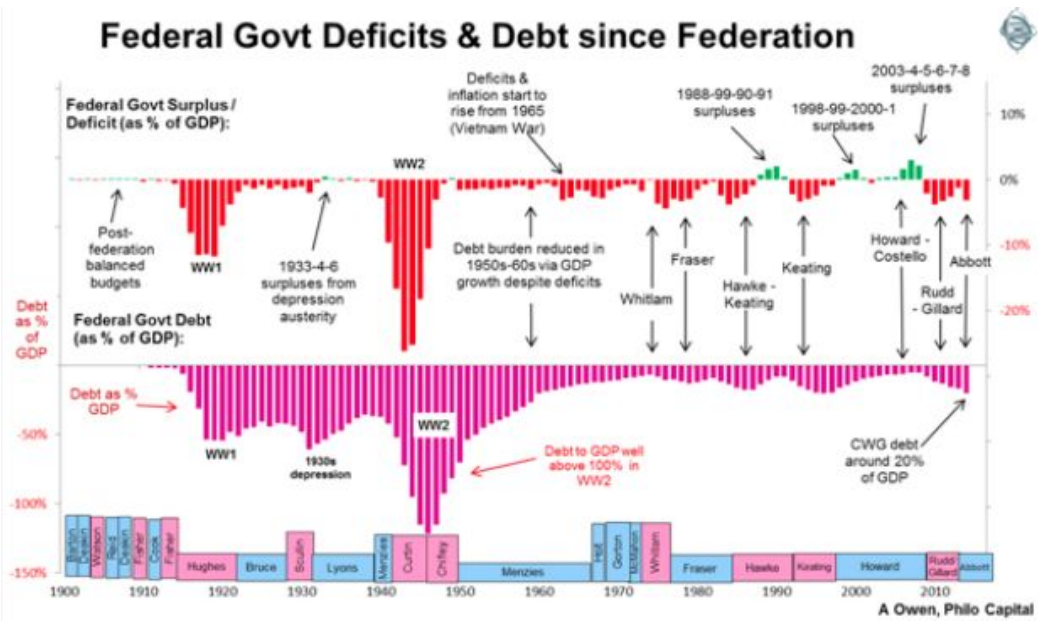
In his 2017 budget, then Treasurer Scott Morrison made a significant concession. He admitted there's such a thing as "good debt" and "bad debt". He argued that it's not the size of the deficit that matters, but what we get for it. His reasoning: taking on debt in a manner that generates growth, deploys underutilised resources and maximises our productive capacity is not only sensible — it should be standard operating practice.

This is a subtle but important admission that successfully highlights the gross oversimplification of public finance that has dominated our political discourse for decades. If debt can be good, so can deficits.

To some extent, this is an uncontroversial restatement of basic Keynesian economic principles. Most economists would agree on the need for deficit spending sometimes – particularly during periods of private sector downturn in which public expenditure plays an important role in bolstering demand for goods and services to shorten and dampen any economic contraction. The Rudd Government stimulus package in 2008 has been internationally regarded as one of the best structured responses to the Global Financial Crisis - working in tandem with a rapid easing of monetary policy settings to avoid the technical recession that seized most other developed economies at that time.

The error comes in the aftermath of these periods, when political leaders turn their collective attention to thinking about how to "pay for" the deficits we've run and "pay down" public debt we've accrued. It's an error born from thinking about the fiscal affairs of a currency issuer through the same lens that we view the fiscal affairs of a household or business who use that currency. It's an error we can't afford to continue making.

Are surpluses necessary?



Since Federation, Australia has run budget deficits roughly 77% of the time and our deficits have always been larger than our surpluses. There is no meaningful sense in which we have "paid for" our deficits with corresponding surpluses over the business cycle. There is no meaningful sense in which we have "paid down" our national debt with national savings.

The story of the Australian government's balance sheet over the last century is one of consistent, sustainable deficits. These are the deficits upon which modern Australia was built – providing consecutive generations with the expectation of full employment that gave them the confidence to make a life for themselves, and investing in the infrastructure we continue to rely on today. So successfully has government spending driven growth, that public debt shrank relative to GDP in the post war years, even as the government continued to run deficits to spur the economy along.

Surpluses, by contrast, have been the rare exception, rather than the norm – mostly arriving as a consequence of external economic conditions beyond government control. The mining boom during the Howard years is an example of a once in a generation windfall for corporate profitability and incomes, driven by surging demand for Australian resources, that drove the budget into surplus as tax receipts exploded. These surpluses were arguably necessary and good in the sense that they served as a handbrake on certain sectors of the economy that might otherwise have overheated prices.

Outside such exceptional circumstances, surpluses place a handbrake on the economy that can jeopardise jobs, wages, and business and consumer confidence. To push the budget into surplus deliberately outside of natural boom periods in the economic cycle requires you to raise taxes or cut spending – both policies that soften aggregate demand, output and prices. Outside of a boom period these are all undesirable outcomes that you would only tolerate if there was some commensurate benefit to running a surplus. There is none.

What are the limits on federal government spending?

The Australian government can never become insolvent with respect to financial obligations owing in the Australian dollar. As the only source of the Australian dollar, it does not need to tax in order to spend in the Australian dollar. Indeed, the government has to spend or issue currency in order for there to be Australian dollars to tax back.

When the federal government wants to spend, it authorises the Reserve Bank to credit a particular bank account. It can then later decide whether it wants to raise taxes to remove an equivalent amount of money from circulation, or issue bonds so that an equivalent sum of money is swapped out into only slightly less liquid government securities.

Again, as an observation about the way the payments system works this is relatively uncontroversial. Many significant economists and central bankers have made similar observations:

“A government cannot become insolvent with respect to obligations in its own currency. A fiat money system, like the ones we have today, can produce such claims without limit.”

- **Alan Greenspan, Chairman of the US Federal Reserve**

“It’s not tax money… we simply use the computer to mark up the size of the account that they have with the Fed. It’s much more akin to printing money than it is to borrowing.”

- **Ben Bernanke, Chair of the Federal Reserve**

“Does anybody believe that the US government is going to default? The fact is, the US government can print money. You can bet on whether there’s inflation, but to bet on default in the US is literally absurd.”

- **Joseph Stiglitz, Nobel Prize for Economics**

“Deficit-worriers portray a future in which we’re impoverished by the need to pay back money we’ve been borrowing. They see America as being like a family that took out too large a mortgage, and will have a hard time making the monthly payments. This is, however, a really bad analogy in at least two ways. First, families have to pay back their debt. Governments don’t… The debt from World War II was never repaid; it just became increasingly irrelevant as the U.S. economy grew. Second — and this is the point almost nobody seems to get — an over-borrowed family owes money to someone else; U.S. debt is, to a large extent, money we owe to ourselves. This was clearly true of the debt incurred to win World War II. Taxpayers were on the hook for a debt that was significantly bigger, as a percentage of G.D.P., than debt today; but that debt was also owned by taxpayers, such as all the people who bought savings bonds. So the debt didn’t make America poorer. In particular, the debt didn’t prevent the postwar generation from experiencing the biggest rise in incomes and living standards in our nation’s history.”

- **Paul Krugman, Nobel Prize for Economics**

“I refuse to pay homage to the Balanced Budget Gods. I prefer to shift the burden of proof onto those who contend that the U.S. faces a long-term debt or deficit problem. The first step is to establish that solvency can never be an issue for a government that spends, taxes and borrows in its own (non-convertible) currency. Our challenge is not whether we can “afford” to make the payments we have promised to seniors, veterans, the disabled, government contractors, healthcare providers, bondholders, etc. but whether we will be a productive enough nation to allow the government to make good on those promises without causing an inflation problem. That is the debate we should be having.”

- **Stephanie Kelton, Chief Economist U.S. Senate Budget Committee**

What *is* controversial are the implications of this set of observations about how our payment system works. Understanding that we are not constrained by tax revenue (ie. we don’t have to raise every dollar we want to spend), or constrained by solvency (we will always be able to meet financial obligations denominated in the Australian dollar, no matter how big the number), doesn’t mean we aren’t constrained at all.

The real constraint on government spending is the availability of real resources in the economy. The concern should be whether a particular size deficit mobilises underutilised resources and people, or bids up the price of already deployed resources and causes inflation. There are genuine complexities to making this assessment ex-ante, but it's the only assessment that matters.

In the current economic environment there is no indication that we should be concerned with running a larger deficit – but good reason to be concerned with efforts to return the budget to surplus.

There is considerable slack in the labour force, with 680,000 unemployed people, and 1.1 million underemployed people competing for 221,400 private sector vacancies. Broad labour underutilisation is at roughly the same level as it was 10 years ago in the wake of the GFC. House prices in capital cities are falling as consumer confidence and credit conditions soften. The headline inflation rate continues to fall below the target band of 2-3%, and the RBA is constrained in its ability to stimulate further demand due to already historically low interest rates. There is a clear need for further public sector spending to bolster demand, job creation and stagnating incomes.

Competing over who will return the budget to surplus faster, because of an erroneous cultural understanding of fiscal responsibility that both sides of politics have helped create is negligent and reckless. It'll be ordinary people who pay the price.

Recommendation 1: Reconsider the merit of pursuing a budget surplus in light of both troubling economic indicators, and contemporary economic thinking on actual fiscal constraints.

Recommendation 2: Commit to a budget outcome that will support genuine full employment while maintaining price stability.

A path to genuine full employment:

Until the 1970s, providing every person with full-time, meaningful work was a core pursuit of the Australian government's economic management.[1] High levels of public investment drove industrial expansion, and a thriving public service prioritised equipping people with in-demand skills.[2] In the 1980s, however, following the disastrous model of Thatcher and Reagan, the government abandoned its commitment to people in favour of deregulation and privatisation - drastically cutting our public service. In 1997 Australia became the first OECD nation to completely privatise our public employment services.[3] And successive governments have since deliberately reframed unemployment as a personal failing, rather than the reality of being locked out of paid work.[4]

But the data tells a different story. Private corporations consistently fail to provide enough demand for people's skills. Currently there are 680,000 unemployed people competing for 220,000 private sector vacancies. No matter how low we make people's income support payments, no matter how difficult to access, no matter how many humiliating drug tests we force them to go through – there is no pathway to employment for hundreds of thousands of Australians, because there are simply not enough jobs.

This is the challenge facing modern Australian governments, and it's a challenge that will only get harder as we face down the inexorable push towards automation and artificial intelligence chains and transition away from mining and fossil fuels.

The solution cannot be to simply cut corporate taxes and pray. But neither will a commitment to increased funding for active labour market programs and a revitalised public service be sufficient. A new framework is needed to reach genuine full employment while stabilising price levels in the macroeconomy.

What is a federal job guarantee?

A Job Guarantee is a federally funded, locally operated program that provides anyone willing to work with the opportunity to do so in their own community. It seeks to match the untapped potential of people who are looking for work with the unmet needs of the communities in which they live. It's a framework that would end the threat of involuntary unemployment, strengthen workers' bargaining position, give local communities the power to redefine "work", and provide targeted financial relief to the individuals and communities suffering the greatest social deprivation.

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[1] Ellen Carlson & William Mitchell (2001), Unemployment: the Tip of the Iceberg, CAER/UNSW Press, Sydney, p193-218.

[2] Herbert Cole Coombs (1994), "From Curtin to Keating: The 1945 and 1994 White Papers on Employment, ANU Press.

[3]

[4] Warwick Smith (2017), "Unemployment Policy in Australia: A Brief History", Per Capita.

A Job Guarantee is not a new idea. An individual right to work was the first proposal in FDR's second bill of rights,[5] and it was one of the primary demands in the Freedom Budget compiled by civil rights leaders like Martin Luther King and Bayard Rustin.[6] Since that time, decades of research have gone into the theoretical underpinnings and program design by economists such as Mitchell,[7] Mosler,[8] Wray,[9] Tcherneva,[10] and Kelton.[11] And we've seen a number of limited Job Guarantee-style policies implemented everywhere from India[12], Argentina[13], Australia[14], and the United States.[15] In order to be both successful and fair a Job Guarantee should have the following elements:

1. **Permanent & Federally Funded:** A Job Guarantee should be a permanent feature of the social safety net in a society. It is not limited by a specific budget, in the same way that income support is not limited by a specific budget. Rather the amount spent in any given year will reflect the economic cycle – more people will accept work in private enterprise during periods of boom, and more people will rely on the public option during economic contractions. Various models demonstrate that the gross cost of a Job Guarantee would be between 1-3% of GDP.[16] The net cost in our current economy would be roughly $25 billion per year – only $3 billion more than the annual cost of the full suite of income and tax cuts proposed by then treasurer Scott Morrison over the next 10 years.[17]

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[5] Franklin D. Roosevelt, State of the Union Address, 1944

[6] A. Philip Randolph and Bayard Rustin, "How the Civil-Rights Movement Aimed to End Poverty," The Atlantic, February 2018

[7] William Mitchell, "The Job Guarantee and NAIRU", Centre for Full Employment and Equity, The University of Newcastle 1998

[8] William F. Mitchell and Warren B. Mosler "Fiscal Policy and the Job Guarantee", Centre for Full Employment and Equity, The University of Newcastle 2002

[9] L. Randall Wray, "A Consensus Strategy or a Universal Job Guarantee Program", Policy Note, Levy Economics Institute, March 2018

[10] Pavlina R. Tcherneva "The Job Guarantee: Design, Jobs, and Implementation", Working Paper, Levy Economics Institute, April 2018

[11] L. Randall Wray, Flavia Dantas, Scott Fullwiler, Pavlina R. Tcherneva, and Stephanie A. Kelton, "Public Service Employment: A Path to Full Employment", Report, Levy Economics Institute, April 2018.

[12] Jayati Ghosh, "Can Employment Schemes Work? The Case of the Rural Employment Guarantee in India", in *Contributions to Economic Theory, Policy, Development and Finance* (2014), edited by D.B. Papadimitriou, Levy Institute Advanced Research in Economic Policy, Palgrave Macmillan, London.

[13] Pavlina R. Tcherneva, "Beyond Full Employment: What Argentina's Plan Jefes Can Teach us About the Employer of Last resort," *Employment Guarantee Schemes Job Creation and Policy in Developing Countries and Emerging Markets*, (2012) edited by Michael Murray and Mathew Forstater, 79–102. New York: Palgrave Macmillan.

[14] Steve O'Neill, "Working Nation: A Progress Report", Parliamentary Research Service, Current Issues Brief No.32, 1995

[15] Nick Taylor, *American-Made: The Enduring Legacy of the WPA: When FDR Put the Nation to Work* (2008), New York: Bantam Books

[16] L. Randall Wray, Flavia Dantas, Scott Fullwiler, Pavlina R. Tcherneva, and Stephanie A. Kelton, "Public Service Employment: A Path to Full Employment", Report, Levy Economics Institute, April 2018.

[17] Claire Connolly, "Why a universal basic income is a poor substitute for a guaranteed job," The Conversation, January 2017.

2. **Locally Administered:** The program is primarily administered by local governments, registered non-profits, social enterprises and cooperatives. It takes the contract to the worker, creating jobs where the unemployed live. As a result it is highly targeted, creating the greatest number of jobs and offering the greatest stimulus to communities with the greatest number of unemployed people. Being locally administered also means a broader definition of work can be adopted than we currently have. Care, cultural, environmental and charitable work can be fully remunerated, with local communities empowered to decide their own needs.

3. **Award conditions and wages:** The wages and benefits offered under a Job Guarantee reflect the minimum acceptable standards set forth in legislation. A Job Guarantee is not exploitative workfare. Job Guarantee workers are paid the full minimum wage, and have access to benefits such as sick leave and holiday leave calculated pro-rata based on the time worked. A Job Guarantee provides a floor on which all workers can expect to stand – removing the threat of unemployment during bargaining, and strengthening casual or contract workers' negotiating position.

4. **Voluntary, not workfare:** A Job Guarantee does not require people to work in order to receive existing benefits (such as Newstart, DSP, Youth Allowance, etc.) It doesn't displace these options either - providing people with a choice between the existing social safety net and enrolling in the Job Guarantee. If someone chooses to accept NewStart while continuing to seek a private sector job, they always retain the option to later enrol in the Job Guarantee program. Similarly, someone who joins the Job Guarantee program is free to opt out onto existing income support payments without penalty.

5. **Flexible and accessible:** It meets people where they are in terms of ability, providing suitable, useful work opportunities, designed to be appropriate for the education, skill level and experience of the applicant. It offers part-time and flexible work arrangements for students or the underemployed. It is sensitive to the particular needs of groups such as at-risk youth, people who have recently left prison, or people with disabilities.

6. **It invests in people and communities:** On-the-job training and apprenticeship opportunities are included under a Job Guarantee program to help people develop the skills and confidence to transition from public to private sector work should they want to. By allowing communities to democratically participate in deciding what work is socially useful, the offer of employment is separated from the profitability of employment. Projects are created to serve community needs, rather than prioritising "profitability" or "productivity" in a narrow sense.

7. **It invests in sustainability:** The program should provide options for addressing environmental concerns. An early example of a guaranteed employment program, the Citizens Conservation Corps, planted 3.5 billion trees in a ten-year period.[18] A

[18] John A. Salmond, *The Civilian Conservation Corps 1933–1942: a New Deal case study.* (1967)

Job Guarantee program may provide a framework by which we can harness people seeking work to make a contribution and coordinate them to address the greatest moral, social and economic challenge of our era.

There are far more substantive explorations of the ways a Job Guarantee would work in practice, along with the kinds of work local councils need performed.[19] These features, however, are what distinguish a Job Guarantee from other job programs.

There are of course, logistical challenges in delivering any right guaranteed by the state. Our healthcare and education systems are phenomenally complicated, expensive and imperfect - understandably so in a country as large, and regionally distributed, as Australia. But because we believe in a pre-logistical right to healthcare and education, we expect governments of all stripes to deploy the resources to figure it out, and improve over time.

What are the benefits of a job guarantee?

1. **Secure, guaranteed employment for the unwaged and underemployed.**

A Job Guarantee gives people seeking employment the very thing that they're asking for: a job. It doesn't provide them with a cheque in the mail, to address their immediate needs but then leave them to make their own way. It gives them access to, and a stake in, the means of production, by creating a legally enforceable right to work. It puts the onus on government to figure out how to include them in the labour market and provide on-the-job-training where necessary to give people the skills and competencies they need to make a difference in their communities. By targeting the unemployed, and offering them real wages and conditions rather than subsistence level income support we drastically reduce the social and economic stress placed upon many families especially during a period of economic transition and technological advance. It provides people with far more than an income, but with the significant improvements to health and wellbeing we know are attached to structured, secure employment.

2. **More bargaining power for casual, low paid, and exploited workers.**

The Australian workforce has been undergoing a trend of casualisation for at least the last two decades. The rise of the gig economy, labour-hire companies and other contract work has provided flexibility for some, while depriving a great many others of access to the workplace protections and entitlements the union movement has fought to secure. In addition to further regulatory oversight and the bargaining arrangements for contract workers being advocated by Australian unions, a Job Guarantee would create a meaningful alternative for those in casual work. Job Guarantee jobs are paid at the minimum wage, and carry the same entitlements and benefits as full time work provided pro-rata for the amount of time worked. Removing the threat of unemployment during workplace bargaining provides workers with a stronger negotiating position. Private sector employers have to offer

[19] Beth Cook, William Mitchell, Victor Quirk and Martin Watts, "Creating effective local labour markets: a new framework for regional employment policy", *Policy Report*, Center for Full Employment and Equity, November 2008

conditions that are competitive with the Job Guarantee alternatives or they simply won't have a workforce. This also means governments can readily enforce future changes to work requirements, shortening the working week or increasing wages and enforcing their adoption by guaranteeing access to a public alternative. This is a powerfully redistributive mechanism to reverse the downward trend in the wage-share of GDP.

3. **Recognising and remunerating an expanded field of human activity as work.**

The current boundaries of what we consider productive labour were set by capitalists, colonialists and patriarchs. Women perform significant quantities of labour that our communities would not function without, and yet which are neither remunerated nor recorded in measures of economic performance. Similarly, many regional Indigenous communities have seen young people forced to move off their land, or take work in local mines because governments have underfunded their communities and failed to provide longterm funding arrangements for successful initiatives like the ranger program.[20]

A Job Guarantee gives local councils, nonprofits and registered charities an unconditional pool of funding to create jobs, and to define the boundaries of work as they see fit. Communities have diverse communal needs - from urban maintenance, to aged care, or additional help in classrooms. A Job Guarantee seeks to socialise the delivery and resourcing of community needs that aren't sufficiently met by the market or volunteer labour. By separating the offer of employment, from the profitability of employment we are empowered to rethink what kinds of labour are socially and communally beneficial, and then pay people and train people to do it. An important feature of this model is that it breaks down the distinction between voluntary and paid labour. Rather than than paying everyone the same lump sum, and maintaining the gendered distribution of unpaid work thereafter - it offers full compensation to the people performing what would have been unpaid work.

4. **Targeted investment in communities suffering the greatest deprivation.**

A Job Guarantee targets public funds towards areas of high unemployment and social deprivation. Many regional areas have unemployment rates that are four or five times higher than the national average, and need greater stimulus than populous major cities. As people enter the Job Guarantee program, they also become local consumers, with their higher wages going towards the stimulation of private businesses in areas that previously had no alternatives. For many people it will serve more as a transitional job in a revitalised community with the funds and income base to pursue its own development. It prevents the flight of young people from regional or rural areas, and addresses many of the flow-on anti-social consequences of widespread unemployment, by ensuring that if people want to stay in the places they and their families grew up there are options that make that financially viable.

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[20] Melinda Boutkasaka, Greg Dunlop, "'Invest in success': Indigenous rangers eagerly await funding boost," NITV News, July 2018

5. **Additional resources to address unmet community needs.**

In addition to providing communities with a larger, higher income consumer base and solving many of the flow-on social problems that come from involuntary unemployment, a Job Guarantee also provides local communities with a ready supply of people to address unmet community needs. Whether it's urban maintenance and renewal, employing local artists and musicians to run classes and enrich the cultural options for residents, or just better staffing of public infrastructure and services, a Job Guarantee mobilises a pool of people toward socially desirable community outcomes. These needs will change region to region, and are best determined by local councils, and community organisations embedded within the area. A Job Guarantee also changes the marginal cost of formal public service jobs. If the government has to offer employment to everyone who wants it, the cost of outsourcing public services becomes significantly higher than retaining and expanding local staff. Not only would governments need to pay the new contractors, but they'll also pick up the tab for any workers displaced by the new arrangement who take advantage of the Job Guarantee. A Job Guarantee offers a vision of a large, skilled public service rather than a shrivelled state run by contractors, and aligns the financial incentives of government accordingly.

6. **Macroeconomic stabilisation: sustainable, non-inflationary full employment.**

Recent analysis suggests that prices won't increase significantly even at very low levels of unemployment.[21] The limit of what a sovereign, currency issuing government can afford is defined by the available real resources of the economy they manage. The Australian government can afford anything that people are willing to sell to it in exchange for the Australian dollar, but if it runs deficits so large that it pushes beyond our productive limits, it will drive up prices. The economic stimulus created by a Job Guarantee by definition focuses government spending on currently unemployed resources and operates countercyclically, creating a full employment economy without inflation. During an economic contraction, the number of people accessing the Job Guarantee will grow, increasing the stimulus provided and keeping the economy at full employment without pushing it beyond. As the private sector recovers and grows, it will hire people out of the Job Guarantee program, leading to less government investment when it's not needed. Additionally, under a Job Guarantee government injections are linked to a concrete unit of real resources: an hour of socially useful work. It anchors the value of the currency for the people earning it, preventing a host of unpredictable and potentially undesirable financial behaviours.

Recommendation 2: Commit to a budget outcome that will support genuine full employment while maintaining price stability.

Recommendation 3: Trial a Federal Job Guarantee framework, alongside investment in a vibrant and world class public service.

[21] Steven Hail, *Economics for Sustainable Prosperity*, Binzagr Institute for Sustainable Prosperity, 2018, p234.

Raise Newstart Immediately:

Australians are proud to support people in their communities in times of need, no matter where they live, their age, or the colour of their skin. And yet, more than a quarter of a million Australians – often the old, the young, and single parents – are locked out of work and reliant on Newstart or Youth Allowance payments so low as to force the recipient into poverty.

The single rate of Newstart for jobseekers is just $278 per week, or less than $40 per day, while the cost of healthy living for a single, unemployed person in Australia is $434 per week, or $62 per day.[22]

The consequences of such a low payment are severe. There is a strong causal link between poverty and several profound, negative social outcomes – most notably:

- Mental health issues, where a number of papers identify unemployment affecting the whole spectrum of mental health issues, from depression to schizophrenia; and
- Cardiac/heart diseases, where the stress from unemployment causes increased incidence of Cardiac/heart disease.[23]

The impact of those negative outcomes are likely intergenerational.[24]

Australia's low Newstart rate produces a poetic pair of statistics – we have the second lowest social security payments for the unemployed in the OECD, and the second highest poverty rate among the unemployed of any OECD nation.[25]

The Business Council of Australia has suggested that the rate of unemployment payments in Australia is so low it is acting as a barrier to work. For over six years, BCA CEO Jennifer Westacott has asserted "entrenching [unemployed people] into poverty is not a pathway back into employment."[26]

Increasing Newstart and Youth Allowance would restore dignity to individuals and households reliant on unemployment payments. It would mean parents around the country no longer have to choose between putting food on the table or replacing their children's school shoes. It would begin to dismantle the cruel stigma attached to social security.

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[22] Saunders, P., & Bedford, M. (2017). New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians. (SPRC Report 11/17). Sydney: Social Policy Research Centre, UNSW Sydney. http://doi.org/10.4225/53/5994e0ca804a4, p3.
[23] Deloitte Access Economics (2018), *Analysis of the impact of raising benefit rates*, p16.
[24] Ibid.
[25] Bennet O. et al, *Working it out: Employment services in Australia*, Per Capita, p54.
[26] ABC Radio National (2012) *Business thinks laterally on social welfare.*
[27] Deloitte Access Economics (2018), *Analysis of the impact of raising benefit rates*, p16.

More broadly, increasing Newstart by $75 per week would result in a $4 billion “prosperity dividend” for the wider economy – a targeted fairness impact that would result in a 1.6% increase in the income of the lowest-earning quintile of Australians, versus 0.06% for the highest quintile, and disproportionately supporting regional communities.[26]

Australia’s meagre Newstart payment and punitive “mutual obligations” system humiliate people looking for work that does not exist. While policies to achieve full employment are a long-term solution to structural problems in the labour market, in the interim there is an urgent need to increase the rate of Australia’s unemployment payments. If only to resolve disconnect between the pride we take in supporting one another through hardship and the indignity of our social security system.

An increase to the rate of Newstart and Youth Allowance of at least $96, in line with the Minimum Income for Healthy Living would help the people doing it toughest to afford food and housing, reduce homelessness, destitution and the need for charity. These reforms would improve people’s wellbeing, security and health and, yes, stimulate the economy.

Recommendation 4: An immediate raise the rate of Newstart and Youth Allowance payments by at least $96 per week in line with the Minimum Income for Healthy Living.

Levelling the taxation playing field

Australians are an egalitarian people, sharing a firm belief that no success is purely individual. We understand that our ability to get ahead depends in large part on our starting point in life, the opportunities we're given to succeed, and the community support available to us. And yet, here in Australia, the richest 1% now own more wealth than the bottom 70%. And it's only getting worse.

Just because we don't need to fund every dollar of spending with a commensurate dollar in tax, doesn't mean there is no role for taxation. The central purposes of taxation are:

1. To help stabilize the purchasing power of the dollar;
2. To express public policy in the distribution of wealth and of income;
3. To express public policy in subsidising or in penalising of various industries and economic groups;
4. To isolate, internalise or otherwise assess the costs of certain national benefits, such as highways and social security.

In other words, tax has the power to shape our economy – and our society. We want a society that lets people get on with their lives, while making sure corporations and wealthy individuals pay their fair share. A society that stops millionaires squirrelling their wealth away through loopholes while the rest of us do the right thing. And a society that penalises socially harmful behaviour and encourages decisions which are good for the community as a whole. The overwhelming majority of Australians want a tax code that reflects our values.

1. **Re-orienting industry towards socially desirable practices:**

We want to build an economy that is sustainable, and secure prosperity that doesn't come with the price tag of dirty rivers, unbreathable air, poisonous soil, and widespread destruction of this country's incredible biodiversity.

To do it, we should:

End fossil fuel subsidies. End the $7.7 billion in industry subsidies[23] that are propping up dying non-renewable technologies, enriching overseas investors and preventing a shift to sustainable clean energy jobs.

Reinstate a Minerals Resource Rent Tax. Instead of offsetting the tax intake from the mining boom with spending initiatives in less developed sectors of the economy, the Howard government instead chose to exacerbate inequality with tax cuts for the wealthiest Australians. But now that investment has slowed, billionaire mining corporations are raking in huge profits from the sheer volume of natural resources they are exporting. We should restore a higher tax rate on mining profits so that every Australian can share in the benefit of our natural resources.

Put a price on carbon pollution. Global warming is already causing a climate breakdown that threatens massive environmental catastrophe and unprecedented disruption to our way of life. Yet the government still chooses to allow corporations to freely generate the carbon

[23] Scott Morrison faces pressure to cut $7.7bn fossil fuel subsidies, The Guardian, 26 April 2016

pollution that causes it, without paying a cent for its longer-term negative impacts. We should place a price on all climate pollution that appropriately reflects the true cost of carbon-intensive industries.

2. Preventing the further consolidation of wealth and power in the hands of the few:

We live in one of the richest countries in the the world, at the richest time in human history. But the vast majority of our wealth is controlled by a tiny handful of individuals. Australia needs a taxation system that distributes wealth more fairly towards those who need it, to ensure this country's prosperity is shared by all.

To achieve this, we should:

Close income tax loopholes exploited by millionaires. Ending negative gearing on new investments, halving the capital gains discount, taxing trust income effectively and capping the deductions on accountancy fees to make sure individuals are paying their fair share.

Tax $2 million inheritances as income. Large inheritances perpetuate generational cycles of inequality. The largest estates should be subject to appropriate taxation to stop the accumulation of society's wealth into ever fewer hands.

Introduce a "Buffett Rule". Kerry Packer famously reduced the effective tax rate on his multi-million dollar income so that it was less than his own personal gardener's. A Buffett Rule would be a catch-all fail safe, legislating a minimum effective tax rate to be paid on all individual incomes over $300,000.

3. Dismantling the two-class tax system:

Rule of law is an essential feature of our democracy. Laws should always apply fairly, and equally across all people, regardless of their status in society. And yet, in 2016, 732 of Australia's largest companies paid $0 in tax. In 2015, 48 of Australia's highest-paid millionaires paid $0 in tax. This is not the way our tax code is intended to work.

To tackle this, we should:

Reduce the influence of money in politics. Corporations and wealthy individuals currently buy access to the halls of power, wielding a disproportionate influence over public policy, and securing policy outcomes and tax settings which further entrench their wealth and power. We should cap both political donations, and political expenditure by parties to undercut the influence corporate money has over our political class. This may require additional public funding to be made available for election campaigns.

Close corporate tax loopholes. GetUp supports the full and aggressive suite of corporate tax avoidance measures proposed by the Labor party, including but not limited to:

- Instituting public country by country reporting for companies with over $1 billion in global revenue.
- Creating a publicly accessible registry of beneficial ownership of Australian listed companies.
- Increased penalties for individuals and entities promoting tax evasion and avoidance.

- Tightening debt-deduction loopholes used by multinational companies.
- Mandatory shareholder reporting of tax haven exposure as a “Material Tax Risk”
- Return the threshold of public reporting of tax data to $100 million in revenue.

Recommendation 5: Close income tax loopholes and crackdown on corporate tax avoidance to reverse the trend of growing inequality in Australia.