‘The Effect of the Budget on the Poor’

Edited transcript of address given by Dr Ben Spies-Butcher on 21st September 2014
**Introducing Ben**

Ben is a Fellow at the Centre of Policy Development, a Research Associate of the Retirement Policy and Research Centre at the University of Auckland, and a member of the Centre for Research on Social Inclusion. As a person, Ben is also absolutely committed to social justice and human rights and the environment and he also has the great gift of being able to make complex economic and political theory understandable, and even enjoyable to listen to.

Thank you so much for that introduction... It's absolutely delightful to come here. I really enjoy it. I'm going to talk about the Budget but also the social compact that we have in Australia and those kinds of issues. I think they're much more profound than just one Budget.

When I first got called up to do this it was partly in response to a piece that appeared in the *Australian Options* - so I thought I would start with what was said in that piece. It said there were three big attacks that were going on in this Budget and they were trying to transform the way we thought about social equity.

One of them was about the way we provide payments to those at the margins and virtually all of those are going to be wound back in some way. I'm going to show that the politics of indexation is one of the biggest political battles. It’s one that doesn’t appear to mean anything in a 12-month period and means an awful lot over decades. It’s one of those structural changes that are the architecture of how we help people.

At the heart is a philosophical challenge to us about what and why it is that we provide support to people; whether we stop them from starving to death, essentially give them just enough to prevent them from falling over the edge; or are they supposed to enjoy something of what happens to the rest of us in the community? Are they supposed to maintain some kind of connection to the experience the rest of us have? I think that is at the heart of the fight over what is going on in indexation.
I also want to talk a little bit about the impact on the institutions that support alternative viewpoints. A first act of this government was to defund the Climate Commission. I think it is remarkably inspiring that their crowd funding worked so well.

Of course, there’s the scaling back of funds to the ABC, the CSIRO, the Bureau of Meteorology, TAFE, universities, schools, hospitals and the Australian Bureau of Statistics. This is widespread. I still find it fascinating that half of Australian politics is apparently not into climate change as an issue yet 20 or 30 years ago, Liberal MPs were championing that issue.

So there’s been a sucking out of the collective resources that inform us and allow us to have these specific debates. That’s how we keep our governments accountable but it’s also how we come up with better ideas and create a better society. **You need to have good evidence by which to do that, you need to have people explore different ideas and come up with information for us to be able to process it.**

The final point will be about the attack on our collective services, such as Medicare. The challenge for Medicare doesn’t at first look that dramatic – a $5 or $7 co-payment, but why is that important? I think Australians generally think that we have one of the most public healthcare systems in the world, that our system is generally free and easily accessible for everybody. I’m going to suggest by pointing to that pesky evidence again that Australia doesn’t have one of those healthcare systems. Our healthcare system is one of the most carved up systems in the developed world and probably needs to move a further in that public direction.

One of the things I welcome most about being able to work in universities is that you occasionally look at evidence that isn’t from Australia. It is remarkable how insular most of our debate is about most issues. A lot of people have this belief that we’re almost socialist because we’re not the United States and they don’t quite realise just how much of an outlier the United States is on virtually every indicator compared with most of the developed world.

I said this is a budget of discipline and debt from cradle to grave, rather than the welfare state giving a helping hand from cradle to grave. I want to explain that a little bit and use this idea of trying to chart a course for someone who
was born in the 1950s and someone who was born in the 1990s, and think about what this is going to mean for how they go through education, work, retirement, how they go through the life course.

This is becoming a much more popular way of understanding inequality and understanding social divisions and social policies. It is really useful to think through how that works, and that sometimes instead of looking at people at a point in time and saying what’s happened to these people, we’re asking how did they experience all those stages and what does it mean to change that.

I'm going to suggest that the way those changes are being made isn’t really so much about divisions between generations and divisions within them. As we go through those life courses we’ll notice that many more of the people in the 1950s have the same life experience and people in the 1990s are going to have really different, dramatically different experiences depending again on this social scale.

Rather than the notion of the welfare state and of social policy as being something that helps the poor, I’m going to suggest that it can be more useful to think about how we help people in those moments across their lives where they might slip through the gap and then permanently fall into a lower chance of life for their rest of their lives, and how we pull those people back up at those critical moments, as much as it is about the end point in time.

So first: indexation. The unemployment benefit and the aged pension were indexed differently about 25 years ago. They were about the same amount of money.

The aged pension is still partly linked to the Consumer Price Index but it’s also got two other index systems and it takes the highest of them. The CPI, unbelievably, is never the highest one. It’s always lower than the other two. The average wage is the other.

If you think about what that means, it’s saying that someone on the pension should have a living standard that’s comparable to average workers; that people should have standards of living which are relative to the rest of the community, and that we maintain a sense of community where those people have something relative to it.
CPI is actually not really designed to do this job at all (a colleague of mine calls it the ‘Creating Poverty Index’) but the reason they pick it is that it’s the average increase in costs for someone. So it’s not going up at the rate that the wages go up, which go up a bit faster than costs.

The problem even with that is that it turns out that inflation itself is one of the main causes of inequality because the prices for people on low incomes are going up much faster than the prices for people on high incomes.

And then, in addition to that, and it’s a very sneaky thing that the economists did, and you have to read economics papers to even know that they did this, but about five or ten years ago the Reserve Bank went and changed the formula of the CPI. They said, there’s this bad feedback loop we’ve got to get rid of. When we raise interest rates, one of the reasons we’re doing that is because inflation is too high, prices are going up too fast. But when we raise interest rates, because that contributes to people’s mortgage repayments and people’s mortgage repayments are an enormous component of spending for a large group of people, it looks like it’s pushing inflation up, because the prices of housing go up. So they took housing out of the CPI so it doesn’t create this feedback loop.

There’s another reason why the CPI, particularly for low income people, has been systematically under-reporting how much they go up, and we now know that because the Rudd Government introduced a third – the rule was for the Aged Pension the CPI always, if it ever goes up this is the one the pension goes up by. So the pension has to go up by the highest of the two. And Rudd introduced a third one and it was the highest of the three. They created an inflation index just for pensioners. Based on what the average pensioner spends, they found out it was the highest, even higher than wages, about 30% or 40% of the pie.

We have to remember that for most pensioners in Australia, because home ownership is still about 80% for people over the age of 65, housing costs are actually very low. So the problem of housing costs, really impacts on other people a lot more than pensioners. We’ve created an index just for those people, we find that it’s even higher again. So they haven’t even just been keeping pace with prices; they’ve been falling gradually behind them - it doesn’t even serve its economic purpose of ensuring that people can turn up for work
because they can’t earn enough money to get to an interview, to be able to buy a nice shirt, to be able to perform well at an interview.

One of the things the Budget wants to do is to shift everything on to that lower indexation mark, to help address the problems of population aging by reducing gradually the amount of money we pay pensioners. Now for one of those people who was born in the 1990s, I’m thinking about life experience at the moment, virtually everybody, about 80% of people who are over retirement age, who receive at least some of the pension. That’s because the pension is reasonably high; superannuation wasn’t really around; so a lot of people are on something close to the full pension.

Someone who is from the 1990s, by the time they’re going to start to receive the pension, the effective rate of the pension will have halved compared with where it would be under wages growth. So many more people won’t be on the pension; they’ll all be relying on superannuation or something else. That’s not because they’ll have lots more savings; it’s because the pension is so much lower that you start having to get something else to supplement it. It’s also that they’ll have more superannuation, but you can start to see then that at the moment what this means - half of all the people will have roughly the same living standards and then most of them have not much more than that, and there’s a small group that have quite a bit above that.

By the time those people retire we’ll have a stretched income distribution. Lots of people will have quite a lot of super but quite a lot of people will have a very low pension and they probably won’t own their own home either, unlike the vast bulk of pensioners who currently own their own homes or if they don’t they’re in public housing, which has a slightly lower rental and rental security.

This is what’s going on with home ownership. The proportion of people in different age groups – 25-34 when you think about starting to buy a home, particularly by the time you get into your mid-30s a lot of people are starting to buy a home. 35-44, that’s when people are starting to have families and 45-54 where people are properly in the middle of family formation and then we’re getting close to retirement.

You can see this is what economists think and this is what is actually the case in 1995 - that most people in retirement own their own homes.
But today, 40% of the population, who at the time when they're starting to have kids, don't own a home and are in private rental. Those numbers are still increasing. The proportion of people who are young who are in private rental is higher than it was five years ago, which was higher than it was five years before, and it hasn’t plateaued yet, this is what life courses look like.

At the moment it has had almost no impact; in fact, home ownership is still going up – a flow through from policies from 30 years ago. It means that the overall rate of home ownership isn't dropping because there’s more older people now than there were before and they own homes.

Maybe we’re spending longer in education, maybe all we're seeing is the fact that people are going to buy their houses later. Or maybe all we’re seeing is the fact that they have families later.

Maybe it’s high income earners who are putting off those decisions because they’ve got money in other places, they’ve become smart investors, it isn't just low income households who increasingly are in rental. Maybe it's single people and couples without kids who are delaying their choice.

**But no, the increase is strongest amongst single parent families and quite strong amongst families with kids under five.** So it's amongst exactly those groups that you would imagine are the ones who were supposed to be getting a house. Among single parent families now, half of single parent families live in private rental. That’s extremely insecure and it’s really expensive, and Commonwealth Rent Assistance doesn't make up anywhere near the difference in a place like Sydney.

We can start to see that these policies which over the next 20 or 30 years are going to gradually erode the Aged Pension and then we’re already seeing the gradual erosion of home ownership.

Most of those older folk who aren't in their own homes are in public housing currently, but we’re also seeing an erosion of it as a proportion of the public housing stock. In the past we had reasonably low but reasonably equal incomes amongst older folk and that was a pretty typical experience in middle Australia.

Now you can start to see there's a whole group of people who are going to probably end up with not very much at the end, but at the other end
superannuation has increased quite considerably. The proportion of households that own more than one house is also increasing. The proportion of investors is now getting close to 20% of the population. At the same time the proportion of home owners is falling. So what does that mean?

**It means we’re going to have a whole bunch of people who have lots of super and lots of houses, and a whole bunch of other people who have not very much super and no houses.** So we needed to trace two different trajectories or several different trajectories to get through this.

This comes from a study by Alan Morris at UNSW. He’s been interviewing retired public renters and private renters, talking about their experience. He found that public renters were saying, ‘Actually it’s pretty good’ – they like being in public rentals. Sometimes there’s some problem with some disruptive neighbours but generally they consider themselves reasonably lucky, they think the rent is reasonable, and they really like the fact they’ve got security and it means they can live their life properly, do different things.

Then he talked to private renters. These aren’t their real names. The first of them, Clare, said, ‘Well, I’ve had a few things break down since I’ve been there that I can’t replace’ so she doesn’t have a microwave oven, she doesn’t have a vacuum cleaner and she doesn’t have a heater, because her income is so low compared with her expenses, particularly her housing costs. She’s got just enough to be able to get through the week and be able to afford to eat, but she doesn’t have anything for capital expenditure at all so if anything breaks down that’s it. Most of the people he found in private rental who were OK were people who had family who would buy these things for them; they’d buy them the fridge, they’d buy them the heater. If you don’t have family that does that, basically as things wear out you just gradually have less and less stuff.

This is Debby. Debby’s paying only $150 a week so she considers herself quite lucky in the private rental market. She says things have got harder lately. ‘I couldn’t afford to get my hair cut regularly’ so she trims it herself. They are being squeezed and she’s never felt like that before. She feels less hope. There’s been times when she’s got a couple of weeks to go and had eggs for three days and then bought Cup-a-Soup for the rest of the time.
We want a system that makes sure that old people don't live in poverty as long as they have a decent pension and they own their own home. The changes in this Budget will probably mean there's a growing group of retirees who don't possess a pension and don't own their own home. It's really disturbing to think that more and more people are left in that situation.

Alan’s evidence showed that increasingly, these folk have to move away from where they currently live in Sydney. They eventually end up in a regional centre, usually where there isn't a doctor, not many services, they don't know anybody and don't have security of tenure. That makes people extraordinarily stressed. He said one of the most stressful things for the old folk was that they didn't feel that they had a secure place to be, and that was really important for them. If they get really sick, they eventually end up in Emergency, and then they move up the Public Housing waiting list, so what we do is wait till people get hospitalised, probably taking about five years off their life. The gaps in life expectancy are starting to increase and they’re increasing along traditional class lines and income lines. In the United States they've now hit the point where the professional middle class life expectancy is still rising but the life expectancy of manual workers is now declining. Those inequalities are also being felt in the developing world. In China, the difference in life expectancies between Shanghai and the poorest regional areas of China are the same as between the OECD and sub-Saharan Africa.

Everyone thinks we've got a remarkably good public health system and that what we need to do is just make people pay some co-payments occasionally. Some say people should pay a little bit to their healthcare, but in fact we already pay more than virtually anybody else in the rich world for our own universal healthcare. The two biggest ones are our Pharmaceutical Benefits and Dental. The Pharmaceutical Benefits Scheme has increasingly become less efficient at being able to keep down drug prices. A decision was made in the early 2000s to restructure the way the board that sets drug prices works. It now has representatives from the large pharmaceutical companies on the board that sets the prices of the pharmaceuticals.

Strangely, since that time, drug prices in Australia have been going up relative to the rest of the world. It's extraordinary, isn't it? The main reason they go up is that we don't get discounts on past patent medicines in the same way the rest of the world does. When drugs go off their patents, normally what happens is
their price collapses, because it actually doesn’t really cost any money to make the drug. It costs something like two cents each to make the actual pills, what you’re paying for is the licensing fees of having developed them, and there’s an important argument about whether we should have those licensing fees at all. In other countries those prices get passed on fairly rapidly; in Australia they don’t, so we pay a lot more for our scripts and medical care, and our system, while it gives quite a lot of discount, doesn’t cap that anywhere near as much as in other countries.

A lot of people pay to go to the doctor, particularly if they go to a specialist, and if they go to the dentist. About 20% of Australians say they wouldn’t go to a dentist because of the cost, or might miss a medical appointment.

We currently have a system that already exists for co-payments but it’s gradually falling as bulk billing rates continually increase. Doctors don’t have to bulk bill you. So why do they?

One of the main reasons is that it’s actually pretty cheap for the doctor to bulk bill everyone, because they don’t have to pay an administrator to send people bills and ring them up five times to get them to pay and to have payment facilities there. You just go in, show your Medicare card and walk out again. That’s actually much more efficient. So doctors’ groups have said, fine, we can introduce a $5 or $7 co-payment but you know we’re actually going to have to put the prices up by $10 or $15 or $20 because we have to cover all the administrative costs that are going to happen. So introducing a new co-payment will make the system less efficient and means we spend more money for less healthcare. It is utterly bizarre.

They’re doing that because they say it will ensure that people really need to go to the doctor before they do. However there is very good evidence that when you increase the prices for healthcare you decrease the number of people who go to the doctor, but that decrease is not related to how sick those people are; it’s related to how poor they are. So you stop poor people going to the doctor, you don’t stop relatively well people going to the doctor. They don’t go to the doctor and then they get sicker, so you eventually get them in the Emergency department or into a hospital generally.
If GP visits fell by 10% and there was a little bit of an increase in the amount of people who go into hospital, you'll still lose money, because hospitals are massively more expensive than GP visits, so anything that diverts people out of GP centres and into hospitals loses money, almost by definition.

The Federal Government also cancelled the amount it provides for pension subsidies, including the travel subsidy. In Queensland they’re starting to get rid of that because they say they can’t afford it anymore. In NSW the state government has said we'll keep it for the next year, which happens to be an election year, and then we'll review it afterwards to see whether the state government will keep on spending that money. We know that the travel subsidy is important, because people, even with very low incomes, can get around and stay mobile. There’s an increase in the PBS. You can’t rely on housing any more. So what happens when we have a generation of people who retire as renters?

I want to talk finally on the experience of young people. One of the biggest attacks in the Budget is on young unemployed people who are not going to have payments at all for a period of six months. They’re going to have that extraordinarily low, flimsy payment when they do, and they’re told they then have to go back to university or into TAFE but they have to pay to be able to go there, and they want to increase those fees substantially. HECS has actually been one of the most successful schemes at getting people to contribute a little bit to university without stopping people going to university. There’s very good evidence it hasn’t stopped poorer people going to university.

Increasing fees delays people’s decisions to have kids and to buy a house. The amount of debt that those young people have will increase; it will be harder for them to maintain security if they lose their job for short periods; if they lose it for long periods we’re going to subject them to ‘work for the dole’ which we know from Australian and international experience will make it less likely that they get employed again. It doesn’t have a neutral effect; it actually stops people getting jobs. People who aren’t in work for the dole are more likely to get a job than someone who is in work for the dole.

So the more people start falling through those gaps, the less we’re going to try and bump them back up, the more we’re going to get them to pay for themselves to try and get up by increasing the amount of debt they have. When
they have those debts it makes it harder for them to be able to service a housing loan, and so there will probably be an insecure loan market anyway. They will be on contracts and they'll be in casual employment which will also make it very hard for them to secure a bank loan because how can you get a bank loan if you don't know how much you're going to be paid in six months’ time?

On the other hand, if you’re lucky enough to get that education, get into a reasonably well paid job and start buying your house early, you get a series of tax concessions which mean that it’s in your interest to be continually highly geared. You should keep on buying more and more houses - it’s actually what the tax system tells you to do. You have to have a lot of debt to make this system work. The only way you can access negative gearing is by having lots of debt. You need to be able to upscale your home so you can take advantage of capital gains. So you'll see one group of people who start to own quite a lot of property, probably by the time they’re in their 50s, and they'll be in secure, full-time jobs which have above average rates of superannuation, they'll have good decent paid parental leave as well which is above the government systems because they're paid for by the secure employers who want to retain talented workers.

Our industrial relations system used to have 80% of people paid on awards set by courts and had one of the tightest distributions of income, so that our minimum wage was closer to the average wage than any other country in the world. Wage repression meant that wages were relatively equal. That’s fallen substantially now. The main reason that happened was because we allowed employers to negotiate at a business level and then there was Workchoices for individuals; in fact, the biggest decline is around 2005-6 when Workchoices comes in. Before Workchoices, when skilled workers and highly unionised workers who had a lot of bargaining power went to the courts they had to use their bargaining power to lift up the entire workforce. Now they can just lift up their own workers so their wages are going up more quickly than they did before, but the wages for everybody else are growing much more slowly than they did before.

This is a process that’s been going on for quite a while. They say we’re spending more money – well, yes, Australia has actually been spending more money and it’s been spending it in highly egalitarian ways. It spends more per
dollar that goes through the government and more of it comes from the rich and more of it goes to the poor than any other country in the world. We’ve got an extraordinarily efficient system, one of the lowest tax rates in the world, but we do a lot with it, and we’ve been spending more and more in a really, really egalitarian way and in exactly the same period of time poverty has been rising.

Why has it been rising? Because of the two things that used to make sure that everyone was equal: make sure that everyone could own a home, make sure they all had a job and those jobs paid decent wages. So we have to do more and more through the tax and spend system to try and make up the gap of the inequality that has been created in what we might call market incomes.

It’s not all gloom and doom however ..... we’ve been adding paid parental leave, we’ve been getting the National Disability Insurance Scheme, we’ve been putting more money into Gonski to try and get more equitable outcomes in schools, which actually is much more important than those fees, by the way, to try and make sure that people do get to university.

So there are things we can do but that’s why we do need to increase taxes.

Leo Panich gave the Ted Wheelwright Memorial Lecture last week. He argues quite forcefully, and I think correctly, that the countries where they do have widespread support, everyone does pay. In Sweden the GST is over 20%. They’ve got very high tax rates. That’s because everyone contributes and everyone gets these services back. It’s much easier politically to be able to do that than, as we saw, when you try to tax the few rich miners, it doesn’t go so well. It’s very, very difficult, but once you say that everyone’s on board it’s actually much easier to support everybody and then it’s much easier to tax people at the high end.

I don’t think the politics are just as simple as well: that all we need to do is just go and take money off Gina Rinehart and the problem will be solved. It is a bit more complicated than that, but I think we do need to recognise we’re better relying on governments if we’re going to have deregulated markets. That’s the trade-off – you rely on governments more. That doesn’t mean you don’t have competitive economies. Those Scandinavian economies are still the most competitive in the world. They’re export oriented, they’re globalised and outward oriented, but they have big states to be able to compensate for that. If
you wind back the state at the same time, you end up with two different monetary rhetorics rather than one.

Thank you very much.

Q & A

A question was asked about the health system

There’s an argument that the reason that co-payments are getting introduced is so that private health insurance can cover the gap between Medicare co-payments and what we pay, which they’re currently not allowed to cover. That would substantially increase the scope for private health insurance.

We’ve known for a long time that the most efficient interventions in public healthcare are about preventing people from getting sick in the first place. Take tobacco and plain packaging – it’s been very successful and has been saving billions of dollars. But the organised interests of tobacco are mobilising, taking it to the courts, running advertising campaigns, and deliberately trying to intimidate governments.

Poorer communities don’t have a lot of political power or voting muscle, so it can be a very difficult area to be able to get decent policy outcomes.

Q: What you’re saying to us is all so logical – why can’t parliamentarians see this? Surely people don’t really want to see such a divided society.

Partly it’s the way that divided societies work – that because of the way we organise work and housing, there’s a whole group of people whom you never see, and if you do, you see them in a way that completely makes them ‘the other’ and scary and frightening. That’s the case for people on low incomes, too, who actually very rarely come into direct contact with very rich people and the kinds of lives they’re leading. We live in parallel universes to each other.

Q: Do parties now work towards their philosophy, or has that disappeared? As Liberal and Labor come closer together, they don’t seem to be following what I would have seen as their beliefs years ago.
I think that’s the case and that’s why these economic policy issues are political issues too. If we go back to, e.g. the first Labor Caucus, I think there were two people who were manual workers in it, and at least one of them was a religious minister. If you go to the Labor Caucus today, the typical experience of a Labor Member of Parliament is they’ve worked as an official for a union, they’re probably not a worker in the industry, and then they’ve worked as an aid to a parliamentarian, and then they’ve become a parliamentarian. In the Liberal Party, they’ve either worked for a parliamentarian or been a lawyer, and that’s most people of those two parties. The Nationals are a little bit different. They still have some farmers. You can see how that experience is actually quite divorced from the experience of the people they represent.

Parliament is a real bubble. It trains you to think you’re part of this special elite, all these doors get opened for you that don’t get opened for anyone else. The very nature of how they’ve set up parliament is a very elitist way of being able to manage democracy. Those big party machines used to have lots of ordinary members – 10% of Australians used to be a member of a party. Now it’s less than 1%, so that’s why they all get branch-stacked and rigged. It’s because you only need to get half a dozen people to turn up and you can branch-stack. It wouldn’t be like that if they all had lots of members. Then you’d have much more holding people to account in between terms of parliament, not just at elections and not just where their main means of communicating with the public are through essentially research rather than through direct forms of engagement.

As we’ve moved to campaigns which are very advertising heavy, which is the main way they communicate, we’ve moved from parties that were really reliant on broad memberships to go out and talk to people, to parties which are really reliant on a few donors to get enough money to advertise. You can see how that shifts their interests quite considerably.

Q: Can you comment on two things: the influence of the minor parties who got in last time; and the selling of the Millers Point community housing?

There’s a conception that social security is about stopping people from starving to death rather than keeping people as part of the community, and that’s why I was saying those two conceptions of indexation are quite important. What they’re saying is it’s fine to have a rich part of Sydney and a poor part of
Sydney. If you’re poor you shouldn’t expect to have the sorts of things that rich people have. You don’t have as good schools, hospitals, transport systems and your own housing, but our job isn’t to make sure you have the equivalent experience; our job is to make sure you don’t starve. So they’ll go and build housing in places that might have less amenity and less services. That’s implicit in what’s going on in The Rocks and why it’s so important to say no, communities aren’t allowed to be rich communities and poor communities; we want to have communities that everyone can be part of. We still have some obligation to ensure those people who have lived there all their lives can keep living there.

There’s an active campaign not to sell off those houses and I think it’s reasonably clear that not all of them will be sold because there are some people who are not going to leave voluntarily, who are reasonably old, who are going to be supported by what’s left of quite militant unions, and the costs of getting those people out are going to be very, very high. That’s probably about 20% of them. This is the process of getting rid of all the rest and selling as much as they can, and by that stage we’ll have forgotten about this, they’ll quietly leave some of them there and move on, but they’ll have got most of the money they’re looking for, and they’ll have pretty much dismantled the community. It’s a strategy that prevents the community effectively mobilising to stop it altogether and tries to contain the resistance to a few outliers.

Q: On your point of advertising and how to afford it - is that more or less in line with the argument that big business is really running government today, not politicians?

I think that’s not true in a simple sense but it is true in a complicated sense. We saw that with the mining tax in particular. Economists were saying this is a very sensible idea, people make super-normal profits because they get to sell stuff that they have really no role in creating or producing. They’re still making the profits so it’s clearly not going to stop them doing it because it’s only the extra bit of profit that you’re taking off them. The enormous backlash that came from was from a handful of people, executives of large corporations, probably fewer than 100 people who mobilised that entire process, probably a third of whom don’t live here in Australia, because they saw that as a threat to the global system of mining. They all believed that once those taxes were established in Australia, because they saw that as a threat to the global system of mining. They all believed that once those taxes were established in Australia, that other countries would then start implementing the same course.
That’s why they spent so much money in defeating it. So even when you try to, there are key limitations on the ability of governments to act and that suggests that the space in which they operate is heavily constrained by money.

Why is that the case and why is it more than before? One reason is that the connections in civil society to tell those stories have degraded. The ability to be able to tell a different story outside the channels that cost lots of money is much harder than it was before and that means it’s much easier to rely just on that media space. I also think the connections between people and politicians have been weakened, which makes it much harder to stop politicians going into their own warp. In the United States, the average person in Congress spends something like 80% of their time raising money. If that’s your day-to-day job, just going around trying to get corporations to give you money, what do you do?

So donations reform is one of the most important things to change in politics. What is happening with the ICAC in NSW is essentially what happens when you try to discipline politicians against those agendas.

*There was a question referring to ‘evidence of political decision-making’*

GetUp was set up by the unions and the larger organisations precisely because of this problem of money and politics (that the only way you could get money was to go to big interests). They wanted to crowd-sourced from lots of little donations and still have the power of big interests. They’re quite effective at doing it. When you ask people what they think GetUp is, some people think it’s kind of a political party, but most think it’s a news service. They see it as an alternative to Murdoch: ‘this is where I find out what’s going on and get told how to engage’. In other words, GetUp is providing that civil society connection, it’s helping people to connect into politics in a way that’s easy for them to do, and they’re not all 25 year olds, they’re actually mainly over 40.

*Q: Change.org seems to do this – somebody starts a petition and keeps people informed about what’s happening and tightening the screws on the politicians.***

Yes, there’s some great research on how movements work and how they succeed. They build for long periods of time and then there’s moments where they suddenly get a breakthrough. They very rarely just start and win straight away, so it’s partly that those campaigns have been going for ages. There’s heaps of people around now so that when the moment comes you can get your
five experts, you've got people talking to politicians, they've already got the research, it's all ready to go because they've been doing it for ages. It's very good at making and taking those moments.

*Q: Talking about the common good and the taxes that we all join together – I just think language has an important part to play. Even when we say they're on the dole, automatically people think ‘bludgers’. How different it would be if that terminology was about support: ‘This is support for community’.*

I think language does have a part. Talking about those support systems as a form of insurance also works better because it sounds like we’re investing in something. We certainly need language that makes people feel like they’re all part of the same thing. I think that’s why Medicare is so successful - it appeals to people on a common interest on the basis of something that virtually everyone accepts is a common experience. The pension is the same, it’s a common experience of old age, and so it’s funny, isn’t it, that we think that someone who’s 25 who doesn’t have a job shouldn’t get anything, someone who’s 55 who’s got a bad back we’re very sceptical about, but once that person who’s 55 turns 65 we go, oh yeah, of course they deserve. How we can construct ourselves as a community is important.

*Q: You showed us a trajectory ... do you see that as inevitable or what are the things you see may intervene to change the whole way that’s going and has been for some time?*

That’s a wonderful question, and yes, obviously there are things we can do and I don’t think it’s inevitable at all. Part of the reason it’s useful to say it like that is that it’s 30 years away so we’ve got time to intervene.

One of the big things is intervening in the housing market. The interest in housing everywhere is strong, so we need to do lots of little things simultaneously. One of those is making rental housing better - we need to do stuff that gives you more security of tenure, makes it harder to kick you out, makes it harder to increase rents. Australia is basically the worst at that in the developed world. In Australia you don’t need any reason at all to kick someone out of the house, and we can increase rents as much as we want because the calls of market rents is the only limit to that. The market is essentially defined as ‘what you can get’ so it's near impossible to say that the rent increase was
too much because the Tribunal will usually say ‘if it’s too much you should move’ and if no one has to do it then they’ll drop it.

There’s a lot of reform around the tax system, where there’s actually heaps of money in superannuation and in housing that we need to tax a little bit more fairly. Those are the fastest growing – superannuation tax concessions, those tax breaks, are growing at a faster rate than the cost of the Aged Pension. The Private Health Insurance Rebate, the cost to the government is growing at a faster rate than the rest of the Medicare budget. The subsidies we give to housing, which are supposed to help the public coffers, are actually costing them more money by meaning there’s more people on Commonwealth Rent Assistance at the same time as there’s more money going in tax deductions. They’re both happening at the same time.

So there’s a lot we can do to repair the Budget that would make everything fairer and simpler. Little bits of were happening under the Rudd Government. Unfortunately we just saw those efforts starting to be rewound.

I think the other space is depending on public services and universal public services because they are a wonderful equaliser. Gonski and Medicare are really important and I think we might say that the union movement is kind of dead generally; there’s one place where the union movement isn't and I think we have the wrong idea of what the union movement is. We think they’re Paul Howes, and they were 40 years ago. But in fact, the average union member is a women who works in the public sector. There are now more women in unions than there are men. It was largely the nurses union who increased nurse to patient ratios; it’s been teachers unions who have decreased class sizes and who are defending Gonski. These feminised public sector care-based unions are one of the main answers to how we can do this, because they can directly influence those public policies which are the most egalitarian and they’ve got a lot of public trust and support.