

TITLE: Australia needs to be fairer if it wants to be richer

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Australia's richest seven people have more wealth than the bottom 1.73 million households combined. Most people think that's a problem. Amanda Vanstone, on the other hand, seems to think the bottom 1.73 million should be thankful.

"The politics of envy". This is Amanda Vanstone's condescending dismissal of concerns over Australia's rapidly growing gap between its richest and poorest citizens.

How often, she asks, have we heard that wealth inequality is growing and that something is wrong with this? How often? One fewer times than necessary, it seems.

Vanstone says that 2 per cent of taxpayers pay more than 25 per cent of all income tax, and suggests this is something we should be grateful to the wealthiest for.

But the reason so few pay so much tax is that income inequality is so great. That is, 2 per cent pay 25 per cent of tax because 2 per cent earn so much more than the rest of us. The statistics she quotes is a symptom of income inequality, and the starkness of the figure reveals the starkness of the problem.

With a progressive income tax system such as ours, where those at the top end claim a larger and larger share of total income, it is inevitable that they will pay a larger share of tax. Is she suggesting that the wealthy should pay less tax as their share of total income rises?

"Make no mistake", she continues, "we need Australians to get rich".

Nobody became a teacher, police officer or nurse to get their name on the BRW Rich List. They're not in it to "get rich". Is Australia really best served by having our daycare centre workers striving to be the next Gina Rinehart? Do we want teachers and ambulance drivers ruthlessly chasing wealth?

Vanstone relies on the stale class rhetoric of the 1980s when she claims that "since only about 45 per cent of the population pay income tax, it follows that, on average, taxpayers have to pay twice that amount in tax in order to fund welfare."

Cue the pitchforks. Welfare queenism is alive and well, it seems. Or, at least it seems that way, until you consider this significant addendum, curiously unmentioned by the columnist: almost half of the 7.4 million adult Australians who don't pay tax are either retirees – who have worked and paid tax their whole lives – or students, who are soon to start working and paying tax their whole lives.

When Vanstone grumbles that taxpayers are being asked to "fund welfare" to the tune of "more than a month's work for many", is she suggesting that pensioners shouldn't be supported in their old age?

Is she suggesting that students shouldn't be supported in getting an education? It is strange that she forgets to tell us that university graduates go on to make substantially more income than those without a degree. And via income tax, they more than pay back into the system what they've received, as Education Minister Christopher Pyne is so fond of reminding us.

If we want a prosperous Australia, we want an equal Australia. Vanstone's defence of the 1 per cent (or is it 2 per cent?) calls on all of us to focus less on the gap between rich and poor, and more on social mobility. We don't want to attack the rich, we want to create more rich!

This ignores the fact that the two are inseparable. Nobel-winning economist Joseph Stiglitz, Standard & Poor's, and the IMF have all released research backed by rigorous analysis that demonstrates inequality hinders economic growth. It is now economic orthodoxy that too much inequality makes growth volatile and unstable.

But Vanstone is not really concerned about the economics. For her, this is an ideological issue, shabbily dressed up as an economic one.

Vanstone asks us to make a choice that doesn't exist. We do not need to choose between taxing the rich more and having less rich. We don't have to choose between having less inequality and having less total income. If anything, the opposite is true.

Shadow Assistant Treasurer Andrew Leigh reminded us in March that "Australia is a stronger nation when we act together than when we pull apart". If this is true, Vanstone's derisive and inflammatory rhetoric is out of step with Australia's sense of the fair go.

The economic debate is over. If we want Australia to be a richer nation, we must also want it to be a fairer nation.

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