The Australia Institute

Research that matters.

Reading *Between the lines* this week:

1. Time for a carbon tax
2. The end of paying for advice you don't receive
3. Measuring what matters

1. TIME FOR A CARBON TAX

Spin doctors have a range of techniques for changing people's views about policy issues, but never before has so much money been spent, so many inquiries held and so much newsprint generated with the simple goal of trying to make an issue go away. Kevin Rudd once famously described climate change as a great moral challenge but Penny Wong has turned it into a great test of endurance. The voters, worn down by 'programmatic specificity', are now turning their attention elsewhere.

The problem is, of course, that the atmosphere is no less concerned with our level of emissions today than it was when Kevin Rudd was elected in 2007. And since then emissions have risen, not fallen. While the government may hope to 'neutralise' the issue by the time of the next election, it is now clear that it has no actual plan to 'neutralise' the emissions themselves. So where to from here?

The good news is that there are plenty of viable places to start if, and that's a big if, we could find ourselves a government that was serious about reducing greenhouse gas emissions. Indeed, one of the easiest places to start would be the compromise scheme put to the government by the Greens.

And there's the paradox. Penny Wong has spent the past two years trying to sell people on the idea that while her scheme might not be perfect, something is better than nothing. It appears, however, that she never really believed that herself. For, while the Greens are offering to support some of what the government has proposed, the government's response has been to reject the plan on the basis that it can't get everything it wants.

While it's clear that we need a carbon price as soon as possible, it's not clear what that price should be. Compared to an emissions trading scheme, the beauty of a carbon tax lies in the fact that complementary policies to augment its impact are simple to design, for example investments in energy efficiency, public transport, renewable energy and so on.

If we are to tackle climate change in Australia, we need to get back to where we were before our enthusiasm was CPRSed out of us. A carbon price is a good place to start.

2. THE END OF PAYING FOR ADVICE YOU DON'T RECEIVE

In a move that is long overdue, the government has announced that it is putting an end to commission and volume-based payments for financial advice. It will also legislate to ensure that financial advice is only provided in the best interests of clients. The intention is to mitigate the various conflicts of interest that currently exist in the financial services sector.

Much of the commentary about this set of reforms has recalled the large-scale corporate collapses during the height of the global financial crisis, most memorably that of Storm Financial. Storm's business model was based on large commission payments for heavily geared investments, which bankrupted many clients when the markets crashed.

But heavily geared, 'sophisticated' investors are not the only group that will be protected under the new regime. Perhaps more importantly, financial advisers will no longer be permitted to charge annual commissions on the superannuation savings of ordinary workers, either directly or via 'embedded fees' through retail super funds.

At this very moment there are many thousands of workers who pay commissions to financial advisors they probably never even knew existed and to whom they have never spoken. Having done a deal with the super fund and the employer at some point in the past, these advisers have directed employees en masse into the funds that pay commissions. When workers leave that employer, they are often 'flipped' into a higher-fee (and much more profitable) fund, even though they have not consented to any of this. Of course, the commission payments continue to accrue to the financial adviser until the fund members comprehend the situation—or until they retire.

Until now this arrangement has been entirely legal, constituting a core part of our 'innovative' financial system, yet it was terrible public policy and cost ordinary people millions in lost retirement savings. The minister responsible, Chris Bowen, should be commended for putting a stop to it.

3. MEASURING WHAT MATTERS

Thanks to the generous support of readers we have begun to collect the new data we need to begin 'Measuring what matters'. Our objective is to collect our own quarterly data on a wide range of social, economic and environmental issues to fill the gaps in the data collected by the Australian Bureau of Statistics.

In March, we collected our first batch of new data, focusing on the two big issues of work/life balance and access to medical care. While we haven't finished analysing all the information, we wanted to give you a taste of what's to come.

Work/life balance

We are told that over the past 20 years, the flexibility of the labour market has been increased—but has it? Are employers more flexible than they used to be or have we simply been reinforcing the idea that employees should respond flexibly to the inflexible demands of employers? Another of our indicators will hopefully help answer this question over time.

Our preliminary results suggest that 45 per cent of people who work more than 40 hours a week are dissatisfied with the balance between their work and the rest of their lives. Indeed, 60 per cent of people who work more than 40 hours a week said that they would like to work fewer hours even if it means a fall in their income.

Governments quite rightly worry about the unemployment rate but shouldn't they also be concerned about the quality of our working lives as well? Shouldn't governments be concerned that there appears to be so much employer inflexibility in our supposedly flexible labour market?

We will get back to you soon with more results from our 'Measuring what matters' series. And we hope to develop new indicators to shed light on issues as diverse as loneliness and traffic congestion. To tell us what indicators you think really matter, please complete our two-minute survey here http://www.question.org.au/mwm.asp]

And if you can make a small monthly donation to support this project please do so here
https://www.tai.org.au/index.php?q=civicrm/contribute/transact&reset=1&id=4

If we can find just 100 Australians willing to make a tax deductible donation of $20 each month, we will be able to add three new indicators to our quarterly survey.

Recent publications

- *Effective emissions targets needed to protect Australia's blood supply*

  https://www.tai.org.au/index.php?q=node%2F19&act=display&type=1&pubid=746

- *Submission to the Energy Efficient Homes Package Inquiry*

  https://www.tai.org.au/index.php?q=node%2F19&act=display&type=1&pubid=742

Recent media

- Listen to Richard Denniss and David McKnight discuss ‘Is neo-liberalism dead in Australia’ with Phillip Adams on *Late Night Live*, 14 April

http://www.abc.net.au/rn/latenightlive/stories/2010/2873032.htm

- Families slugged fortune in bank fees, *The Daily Telegraph*, 12 April

http://www.dailytelegraph.com.au/money/money-matters/families-slugged-fortune-in-bank-fees/story-fn300aev-1225852513715

TAI tips

The Autumn/Winter, Number 32 issue of *D!SSENT* magazine is on sale now in newsagents and good bookshops. This edition features articles by Richard Denniss and TAI research fellows, David Ingles and David Richardson. To find out more go to http://www.dissent.com.au/