news

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A great year — 2011 in review

The Australia Institute published a number of influential papers in 2011 which helped shape the debate around the mining boom, climate change and the changing nature of retail. Executive Director Richard Denniss reviews some of the Institute's achievements.

It may seem hard to believe but the last election was only 16 months ago and the next election is still nearly two years away. What was supposed to be a lame duck Parliament has not only been productive in passing legislation but also ambitious in tackling some of the big issues. For The Australia Institute this has meant another busy and satisfying year, with many chances to influence public debate and policy.

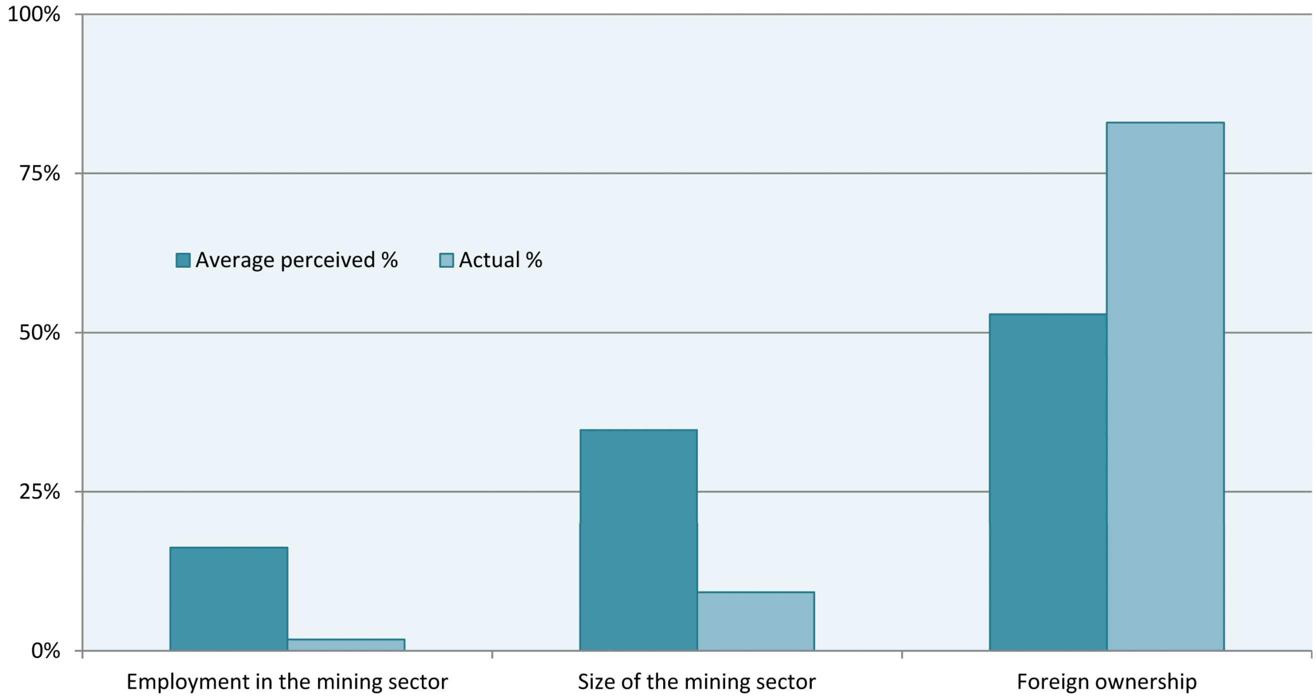
After 20 years of talking about it the Australian Parliament finally passed legislation to introduce a price on greenhouse gas emissions. It's hard to believe how hard the big polluters fought to prevent the introduction of a modest carbon price with very generous compensation (some of the biggest polluters will receive 94.5 per cent of their pollution permits for free), but fight they did. The Institute's *The industries that cried wolf* paper played an important role in countering the exaggeration, and outright lies, of some of the biggest polluters and their industry bodies. For example, that research showed that the impact of the carbon price on steel producers like Bluescope would be less than 0.4 per cent of their total revenue.

The Institute was highly critical of the design of the previous iterations of the Carbon Pollution Reduction Scheme (CPRS), and while many of the 'design features' of that scheme remain in the Clean Energy Future Program it's satisfying to see that the government has responded to some of the suggestions that we made concerning the recognition of voluntary action and the need for earlier review of industry assistance. That said, it is a pity that the definition of voluntary action was not made sufficiently broad to capture the actions of state and local governments. As a result, ambitious policies such as the ACT's 40 per cent emission reduction target will have no impact on Australia's emissions in 2020.

> The Institute has challenged the exaggeration, and outright lies, of some of the biggest polluters and their industry bodies.

The Institute also played an important role in informing the public debate around Tony Abbott's so called 'Direct Action Plan' to tackle emissions. Our paper, *The real cost of direct action: An analysis of the Coalition's Direct Action Plan*, provided the first comprehensive evaluation of the Coalition's alternative to a carbon price, and the results were not promising. Despite the Liberal Party's stated preference for reduced government spending, market-based mechanisms and fewer public servants, our research found that the Direct Action Plan would require tens of thousands of additional public servants and billions of dollars in extra spending to achieve the same five per cent emissions reduction target to which the Gillard Government has already committed, but this time by paying polluters directly to reduce their emissions.

Public perceptions of the mining industry compared with key facts



Perhaps the most influential research published by the Institute this year was *Mining the truth: The rhetoric and reality of the commodities boom*. In this paper we presented a wide range of evidence which directly contradicts many of the claims made by the mining industry. For example, the report points out that the mining industry only employs around two per cent of the Australian workforce, while our survey results show that Australians on average believe around 16 per cent of people work in mining. This eightfold perception gap is no doubt due in part to omnipresent industry-funded advertising and the uncritical way in which elements of the Australian media report any new mining development.

The *Mining the truth* report also pointed out that 83 per cent of mining activity in Australia is foreign owned, that the surge in mining exports has driven a one-for-one reduction in non-mining exports, and that Australian mortgagees continue to pay higher interest rates as a result of the RBA's determination over the past two years to slow down the rest of the non-mining economy. As discussed elsewhere in this newsletter, next year we hope to use our newfound knowledge of the mining industry to shed more light on specific mining activities, including the growing coal seam gas sector.

While climate change and mining activity have been prominent in our research agenda in recent years we have, of course, been driving debates in other areas. This year the Institute continued to examine what we consider to be one of the most important, but least examined, areas of welfare policy: the number of people who are 'missing out' on benefits to which they are entitled.

> Perhaps it is time we rethought the 'left' and 'right' labels before applying them to policy positions.

Having previously estimated that Australians are missing out on more than $623 million per year from just four benefits (Parenting Payment, Carers Allowance, Disability Support Pension and Bereavement Allowance), this year we looked into the complex way that health benefits are provided to Australians and estimated that Australians are missing out on a further $1 billion per year.

Our research on missing out is based on the emerging field of behavioural economics which, unlike neo-classical economics, takes as its starting point the need to observe how humans actually behave. Somewhat bizarrely, the more orthodox economic approach is to make simple assumptions about how individuals *should* behave. While neo-classical economists simply assume that people who do not apply for benefits must not really want or need them, behavioural economics allows for the possibility that some people may find it hard to navigate the system, apply for benefits, or work out that they might be entitled to a benefit they have never heard of.

One of the key findings of our research in this area is that low-income earners, people with low levels of education, and those from non-English speaking backgrounds are more likely to be missing out on benefits than average. Maybe the neo-classical economists are right and these groups just

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Help needed: billions of tax dollars looking for a problem

Every year Australian taxpayers provide more than $27 billion to support the retirement savings of Australians with superannuation. UnitingCare Australia's National Director and The Australia Institute's Chair Lin Hatfield Dodds explores how this money could be better spent.

If you had $27 billion to spend each year to address one of the many public policy issues facing Australia,which one would it be? Would you invest in education, health, or renewable energy? Would you address Indigenous disadvantage, cut income taxes, or use the money to increase the disability or age pension?

Whatever your personal priorities, most people would think $27 billion a year, well invested, could make a big difference.

But the fact that a large chunk of this money goes to increasing the retirement incomes of some of the wealthiest Australians will come as a big surprise to many Australians.

But that is how our tax dollars are currently being spent. Yes it's unfair. Yes it's a waste of money. And yes, those dollars could be put to better use.

Our politicians work hard to respond to the views of citizens. In doing so they need to navigate a difficult course and make some tough choices. Unfortunately, at times we get lost along the way.

The Federal Budget reveals the real priorities of government; if you look carefully you'll find some interesting revelations.

> A third of the superannuation concessions, totalling $10 billion a year, are directed to the top five per cent of income earners.

For example, each year Australian taxpayers provide more than $27 billion to support the retirement savings of people with superannuation. Ironically we call it 'self-funded retirement'. The assistance works so that those with the largest savings (earning the highest incomes) receive the most support, while those who earn the least receive little or no support. Those who cannot work, or who care for other people who cannot work, receive nothing.

The 'rationale' for this enormously generous taxpayer support is thin. Wealthy people currently saving for their retirement are entitled to a far more comfortable retirement than the current or previous generations. Minister Shorten has explained that baby boomers simply don't have the sense of frugality their parents had and so we have to provide them with more help to achieve their desired lifestyle.

Another argument that is offered for these tax concessions is that boosting private retirement incomes takes pressure off the budget by reducing the number of people on the aged pension. The problem with this argument is that it isn't true.

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The last years of the Howard Government saw very large increases in the generosity of the means tests for the age pension. Under the new arrangements a couple who own their own home can now have more than $1 million in super and still draw a part pension. The changes also made all income from superannuation tax free.

The changes saw a big increase in the disposable incomes of some of the wealthiest Australians, paid for by ordinary taxpayers, each and every year. Adding insult to injury, this group is now also eligible for the Commonwealth Seniors Health Card and around $800 of taxpayers' money every year to help with their utility bills, even if they are drawing hundreds of thousands of dollars tax free from their super.

Put simply, a dollar invested in tax concessions for superannuation saves the budget a lot less than a dollar in reduced pension and health costs. This tax arrangement makes the fiscal challenges of an ageing population worse, not better.

Of course individuals should be encouraged to save for their retirement. But citizens are entitled to know that their tax dollars are being used effectively, with some sense of proportion. The average retiree will only have $100,000 in super, and hundreds of thousands of Australians will have no super at all. The support we do provide through the tax system could be much better spent supporting those older people.

It's obvious why high income earners would like to retire on a higher income than a lower one. The superannuation industry estimates that a retired couple that have paid off their own home need around $55,000 a year in income to live comfortably.

> Every billion dollars spent on tax concessions is a billion dollars that cannot be spent on health, education or aged care.

What is not obvious is why governments are willing to spend tens of billions of dollars to address the imagined deprivations of very wealthy workers heading towards retirement, while being so apparently unconcerned about the very real hardships of those who try to live on sickness, disability or aged pensions of less than $20,000 per year.

Or why more than a third of the superannuation concessions, totalling $10 billion a year, are directed to the top five per cent of income earners — a group that receives more than ten times the support, per person, than the other 95 per cent of people saving for their retirement.

Every billion dollars spent on tax concessions is a billion dollars that cannot be spent on health, education or aged care.

Governments are often called on to provide more services to those in the most need. The temptation is for them to say that they would love to help, if only they could find the money. Well, they could.

Tax concessions for superannuation policy provide dignity for a few, at enormous fiscal cost, while ignoring the needs and dignity of many people who deserve better. This is robbing the poor to pay the rich.

There is no doubt that a substantial portion of the $27 billion used for superannuation tax concessions would be much better spent boosting the incomes of people who are poor today, or helping to boost the retirement savings of those we know will be poor in the future; those who can't work, or who earn the lowest incomes in the country while caring for others or working in low wage jobs.

This is just one illustration of why we need to check and tune-up the tax system. The most important questions are simple. Do we think our tax and transfer system is fair? Is it reasonable? Are we proud of the way it redistributes our incredible national wealth? We need to make sure the dollars in future budgets align with our values.

What price dignity? Equity and entitlement in the Australian tax and transfer system was written by Dr Richard Denniss and David Baker for UnitingCare Australia. It is available to download from www.tai.org.au

This article first appeared on The Drum. §

Big change or a lot of hot air?

While the carbon price legislation has passed Parliament many Australians are still wondering how it will work and how it will affect them. Richard Denniss outlines the likely impact on the environment, the economy and households.

The passage of the carbon price legislation, a price which will come into effect mid-next year, marked the crescendo of the storm before the calm. While the politics of climate change have been hotter than the scientists' predictions for a Canberra summer in 2070, the economic impacts of the scheme will be quite modest.

Despite the acres of newspaper print and incalculable hours of talkback radio that have been dedicated to the issue, there are very few Australians who claim to have even a working knowledge of how the carbon price will operate. Given how hard both sides of politics have worked to exaggerate their criticism of their opponents the lack of comprehension is hardly the fault of the public.

So what has just been passed, how will it work, and how will it affect families, communities and the macro economy?

After nearly 20 years of talking about it the Parliament has just passed legislation to impose a price on greenhouse gas emissions, often referred to as carbon pollution. While CO2 is the most common greenhouse gas, the legislation will impose a price on a range of greenhouse gases, including methane and nitrous oxide which are generated by agricultural and industrial activities.

It is important to highlight that individuals will never need to directly pay the carbon price; rather, polluters responsible for more than 25,000 tonnes of emissions will be liable. Those big polluters will, however, pass on some or all of the cost of the carbon price to their customers. For example, in the case of household electricity, the coal-fired power stations that supply household electricity will receive a carbon price bill, not the household itself. That said, just as banks pass on the costs of Reserve Bank interest rate rises to their customers, so too will the power stations pass on the costs of the carbon price to their customers.

The whole point of introducing a price on pollution is to change the behaviour of both consumers and producers.

We are told regularly that if wages rise, firms will have no choice but to employ fewer staff. So too, if the price of polluting forms of energy goes up it follows that firms will use less. Similarly, if the price of coal-fired electricity rises consumers will buy less of it.

> Individuals will never need to directly pay the carbon price; rather, polluters responsible for more than 25,000 tonnes of emissions will be liable.

Some consumers and some producers will be more willing, or more able, to change their behaviour when prices change. The more sensitive they are to price changes, the more "elastic" their demand is said to be. One of the main reasons the vast majority of economists support the use of price rises to change behaviour is that those who find it easiest to change will be the first to do so.

Of course some households, and some industries, find it very hard to change their behaviour in response to price rises. Even though more Australian homes have air conditioning than have ceiling insulation the fact remains that some households find it hard to reduce their energy consumption. And it is with those who can't, or won't, change their behaviour in mind that the government has developed a comprehensive and very generous set of compensation packages for both households and the most severely affected industries.

The role of compensation is perhaps the most widely misunderstood feature of the climate policy debate. Opposition Leader Tony Abbott has made much of the apparent absurdity of introducing a price on pollution and then providing compensation. He regularly, and effectively, refers to the scheme as a "great big money-go-round". The government has, however,

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done a poor job of explaining why the simultaneous existence of a carbon price and household assistance is in fact a strength of the new scheme, not a weakness.

Consider the following example. Imagine if each day you choose between buying a sandwich or a meat pie for lunch, each of which was available for $5. Now imagine the government introduced a "meat pie tax" of $5 pushing the cost of a pie up to $10 and leaving the price of a sandwich unchanged. What would you do?

While most people would likely change their behaviour in the face of a big change in the relative prices of the lunch options, some people might not want to or be able to. But now imagine that the government cut income taxes by $5 per week at the same time that they introduced the meat pie tax, would that have an impact on what you chose for lunch?

If you receive a tax cut and switch from meat pies to sandwiches you would be $5 better off. If you receive a tax cut and you always ate sandwiches you would be $5 better off. But if you receive a tax cut and want to keep eating meat pies you would be no worse off.

The simultaneous introduction of a carbon price and a compensation package means that people have the chance to be better off but no need to be worse off. It makes the scheme both efficient and equitable.

While the scheme passed this week will certainly drive up the price of electricity and a range of other emission intensive products the impact will be much smaller than most people realise. The Treasury modelling, which if anything is likely to overestimate the impact, shows that the carbon price will drive up the cost of living by less than 1 per cent. The compensation, for low and middle-income earners at least, will be more than enough to compensate for the expected increase in the cost of living. Anyone who can reduce their energy use, especially those who can turn off the spare fridge in the garage, will be even further in front.

For the lowest-income earners the compensation package is the most generous. For a single pensioner with no other income the cost of living is expected to increase by $204 in 2012-13, yet they will receive a pension increase of $338.

Of course it is not just households that will receive compensation for the introduction of the scheme. The so-called "emissions-intensive trade-exposed" industries, or EITEs to their friends, will receive up to 94.5 per cent of the pollution permits they require for free. Put another way, for every 100 tonnes of pollution they emit they will only have to buy 5.5 permits. Critics of the scheme often refer to the $23

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Richard Denniss took part in a National Press Club debate with Christopher Monckton in July and this Fiona Katauskas cartoon marks the occasion.

carbon price as being high by world standards, but in reality the trade exposed polluters will only pay this price on a trivially small percentage of their total emissions.

> The simultaneous introduction of a carbon price and a compensation package means that people have the chance to be better off but no need to be worse off. It makes the scheme both efficient and equitable.

Few, if any, economists really believe that the provision of such an enormous number of free permits is justified. That said, the provision of such largesse does not actually diminish the incentive for firms to reduce their emissions. That is, whether a firm gets 94.5 per cent of their permits for free, or none of their permits for free, if they can reduce their emissions by one tonne they will pay $23 less in tax. That is, while the free permits have a big impact on the total amount of tax they will pay, free permits will have no impact on the potential benefits to the firm of reducing their pollution.

So, despite the provision of generous compensation, households and industry will both begin to reduce their demand for products that generate large amounts of emissions, particularly coal-fired electricity. But because of that same compensation, the financial impact on individuals and companies will be far less than critics of the scheme have been suggesting.

While the provision of generous compensation means that the sky will not fall for households or industry, the "transition to a low-carbon economy" will not be nearly as rapid as the government suggests and many supporters of the scheme may have hoped. In fact, the carbon price itself will do very little to "transform" the way that electricity is generated in Australia.

While a $23 carbon price will encourage households and industry to use less energy it is not nearly enough to encourage the private sector to build solar or wind generators to replace coal-fired power stations. Given the current costs of building a coal-fired power station or an array of wind turbines the carbon price would need to be at least $50 a tonne for wind to be a more profitable proposition than coal.

Despite the carbon price legislation being referred to as the "clean energy future" package in reality the main reason that large-scale renewable

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energy is built in Australia is the existence of the 20 per cent renewable energy target. Regardless of whether the carbon price legislation had passed or not, Australia's electricity retailers are required by law to source 20 per cent of their electricity from renewable energy.

Similarly, if any coal-fired power stations shut down it will not be because of the $23 carbon price but because of the government's intention to use some of the revenue from the carbon price to acquire a coal-fired power station with the intention of shutting it down.

The irony of the government's reliance on a regulatory target to stimulate investment in renewable energy and a taxpayer-funded buyback scheme to shut down a coal-fired power station is that it has simultaneously tried to trivialise Abbott's ''direct action'' plan. The government's desire to pretend there is a simple choice to be made between its price-based mechanism and the Coalition's regulatory approach means that it has been unwilling to admit that the government is in fact relying on a combination of both approaches.

Both sides of politics remain silent on why taxpayers should provide more than $10 billion per year in subsidies to the users of fossil fuels.

The Coalition, on the other hand, has attempted to construct the opposite farce. Under Abbott it has been so determined to distinguish its policy from the government's that it is forced to pretend it believes relying entirely on a scheme to pay polluters to cease and desist is a more efficient and equitable approach than making the polluter pay.

The Coalition has said repeatedly that it intends to fund its ''direct action scheme'' by making savings elsewhere in the budget, but even if tens of billions of dollars' worth of savings can be found by sacking 12,000 public servants the Coalition has not explained why those savings would be best given to polluters rather than spent on health, education or other public services.

Given all the political fireworks it is easy to forget that when it comes to climate change policy both the government and the Coalition agree that climate change is real, that it is caused by human activity, that Australia should reduce its emissions by 5 per cent and that we should do so by 2020.

All of the parliamentary and political angst is about whether we should make polluters pay for their greenhouse gas emissions or eschew the user-pays principal and take up Abbott's suggestion that taxpayers pay the polluters to stop emitting.

Perhaps unsurprisingly, the Greens and Independents went with the polluter-pays principle. It is inconceivable that the Parliament would ever do otherwise. In recent years the need for a price on greenhouse pollution has received bipartisan support with Liberal leaders John Howard, Brendan Nelson, Malcolm Turnbull and Abbott, at least some of the time, supporting the idea.

Abbott has been disciplined in prosecuting his current position that a price on pollution is a bad idea but he has never been pressed to explain why so many of his predecessors, and he himself, were once so wrong as to think that a pollution price was the best way to reduce Australia's emissions.

Of course it is not just the Liberal Party that has changed its position. Former prime minister Kevin Rudd famously abandoned his commitment to solving the ''great moral challenge'' of climate change when the politics got a bit bumpy. And of course Prime Minister Julia Gillard famously ruled out a carbon tax before the last election and then proceeded to propose one.

The challenge for voters, and for much of the media, is to distinguish

the political arguments for the scheme, which have been about as consistent as Melbourne's weather, from the economic arguments and scientific arguments, which have been surprisingly consistent.

The new carbon price regime will begin to shift the Australian economy to a lower-emissions trajectory, but a lower-emissions trajectory should not be confused with a low-emissions trajectory. The $23 starting price for the scheme is simply not high enough to drive any investors out of coal-fired power generation and into renewable energy. Some new gas-fired power stations will likely be built, but it is unlikely if the public understands that this is what is meant by a ''clean energy future''.

The scheme is designed in such a way that it will have no impact on the price of petrol. While this feature of the scheme is no doubt popular among many voters it means that the Australian love affair for driving around cities in large four-wheel-drives will continue while we are told that we are doing everything we can to reduce emissions. Meeting a 5 per cent emission target is a real challenge, we are told, but not so challenging that we should need to drive smaller cars.

Perhaps the clearest evidence that our Parliament is not yet ready to put the science of climate change before the politics of corporate power is the ongoing refusal to tackle the enormous cost of the subsidies that taxpayers provide to the fossil fuel industry.

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don't want or need support, but our objective is to make sure that government agencies put more effort into assuring themselves that this is the case. If — as is more likely — this is not actually so, then there is a clear case for government to devote more resources to promoting the existence of a range of benefits and to seeking out people who are most likely to need help navigating the system.

But just in case you thought it was easy to put the Institute into an ideological box it's important to highlight the work that we did this year on the need for well-functioning, competitive markets in both the retail sector and in the world of online service provision.

Our paper *The rise and rise of online retail* attracted large amounts of media attention primarily for its finding that the average mark-up placed on clothes and shoes by Australian retailers is 142 per cent. Australians pay far more for clothes, shoes, electrical appliances and even music downloads than Americans and Europeans, and these big differences cannot be explained by either the GST or wage costs. On the contrary, very high profit margins and very high commercial rents play a major role in explaining why we pay up to 300 per cent more for some brands of jeans than Americans do.

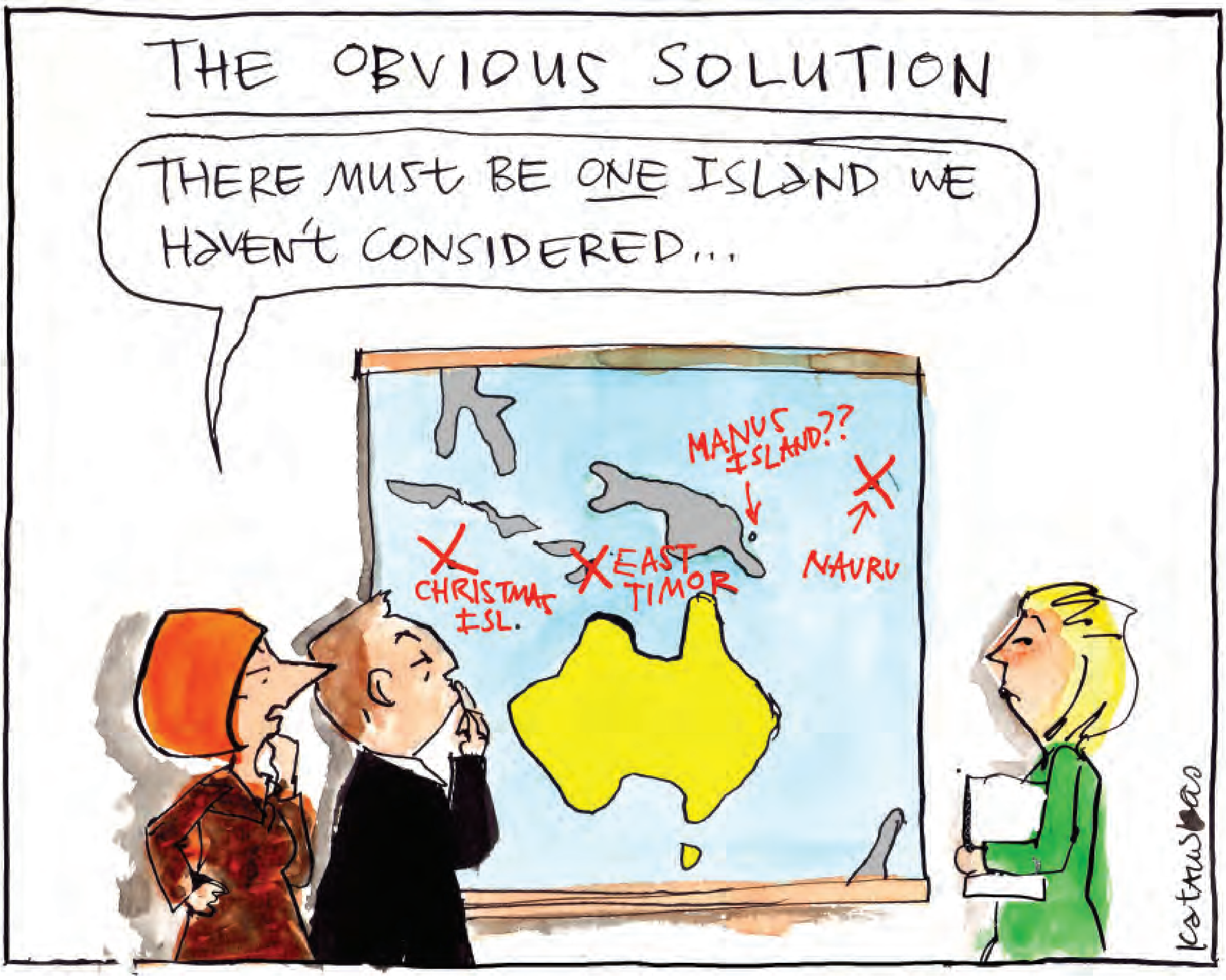
The rise of online shopping will bring a better deal for Australian consumers.

Our report argues that the rise of online shopping is, for the first time in many years, bringing much-needed price competition to large segments of the Australian retail industry and that the inevitable result would be a better deal for Australian consumers.

So while it might be considered 'left wing' to be concerned with the distribution of the benefits of the mining boom and think that governments should do more to assist low-income earners navigate the welfare system, is it also 'left wing' to think that a market-based 'polluter pays' scheme is superior to the Coalition's 'pay the polluter' scheme? And is it left wing to think that new technology bringing new competitors into the Australian retail system is likely to deliver benefits to Australian consumers?

In a modern consumer society where old fights between labour and capital are no longer the driving force behind political divisions, perhaps it is time we rethought which labels should apply to which policy positions. §

Later in the newsletter in 'Looking ahead', Richard outlines some changes to the Institute for 2012.



The rhetoric and reality of the mining boom

The mining industry in Australia has done a great job of talking up its contribution to the economy, to our society and, bizarrely, even to our natural environment. Yet, as David Richardson explains, there are plenty of Australians who are not benefiting from the current mining boom.

The Australian economy, like all modern economies, is diverse and ever changing. Recently the mining industry in Australia has boomed, surging from around four per cent of GDP in 2004 to around nine per cent today. But the rise of the mining industry is neither inexorable nor universally beneficial.

Much has been said about the changing face of the mining industry, where the effects of the boom have been both substantial and positive. But until very recently there has been far less discussion of the impact of the mining boom on the rest of the economy, including those areas which have suffered as a result.

So who benefits and who loses from the mining boom?

> Total mining employment is just 217,100 in a workforce of more than 11 million.

While the high exchange rate associated with the mining boom has brought down the price of imports, at the same time it has ensured that trade-exposed industries such as tourism, manufacturing and education will find it harder to compete internationally.

Mining workers have of course experienced the direct effect of the mining boom as have some of the firms and their workers that have experienced the ripple effects of the mining boom. While the rate of growth of the mining industry has been very high (from a very small base), the overall level of employment in the mining industry is surprisingly small. ABS figures show that in May 2011 total mining employment was 217,100 in a workforce of more than 11 million.

Ordinary wage and salary earners, by contrast, have seen no boom in the rate of growth in their real wages or more employer employment opportunities.

Homeowners are forced to pay higher interest rates across the

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board as the Reserve Bank seeks to control overheating which is actually concentrated largely in the resource-intensive regions of Australia. While most people in Australia probably understand that higher interest rates are bad news for home owners, few people realise that a major cause of Australia's very high interest rates is the sustained boom in the mining industry.

Shareholders have experienced increases in the value of resource stocks and reductions in the value of investments in retail, manufacturing and other sectors that have been adversely impacted by the rising Australian dollar. Mining companies pay corporate tax, yet the average rate of corporate tax paid by the mining industry in 2008-09 was 13.9 per cent, substantially below the theoretical 30 per cent tax rate. One reason for this is the generous tax deductions available to the mining industry, particularly in relation to research and development and accelerated depreciation provisions for capital expenditure.

Survey results show that the beliefs that many Australians have about the mining industry diverge radically from the facts.

The mining industry is fond of arguing that Australian households benefit from the mining boom through increased prices for their shares, which are held either directly by households or indirectly through superannuation funds. While it is true that there have been some large gains in mining share prices, it is also the case that share ownership in Australia is largely confined to higher income households. The wealthiest 20 per cent of households own 86 per cent of shares, and a very small number of shareholders own substantial holdings in Australian mining companies. For example, 67 individual shareholders own 68 per cent of all Rio Tinto shares. Similarly, 78 shareholders own 59 per cent of BHP.

The median fund balance in superannuation among those about to retire is $71,731. A fall in the value of Australian mining activity of ten per cent would only cost that group around 0.4 per cent of their fund balance—that is, a fall of around $287. Such a reduction can be contrasted with the average monthly movement of the ASX 200 share price index, which would shift a balance of $71,000 by around $1403 a month. For the typical superannuant, everyday share market fluctuations have a much greater material impact on retirement savings than the amount of profits or made tax paid by mining companies.

Foreign owners of resource stocks are the big winners from the mining boom, with profits rising enormously and the capital value of their Australian investments increasing in step with the exchange rate. It is not just iron ore and coal that Australia exports in large quantities; we export a lot of dividend payments as well. In 2009-10 mining profits were $51 billion, of which 83 per cent, or $42 billion, accrued to foreign investors. Over the next ten years pre-tax profits for mining will likely be around $600 billion; at present levels of foreign ownership around $500 billion of these profits will end up in the hands of foreign owners.

To measure public perceptions of the mining industry, the Australia Institute conducted a survey of 1,370 members of the community in June 2011. The survey results show that the beliefs that many Australians have about the mining industry diverge radically from the facts.

When asked what percentage of workers were employed in the mining industry, the average response was around 16 per cent; according to the ABS the actual figure is 1.9 per cent. While the mining industry accounts for around 9.2 per cent of GDP — about the same contribution as manufacturing and slightly smaller than the finance industry — a typical Australian believes that mining accounts for more than one third (35%) of economic activity. And while on average respondents said that 53 per cent of Australian mining activity is controlled by foreign companies, in reality the figure is actually 83 per cent.

To sum up, Australians believe that the mining sector employs nine times more workers than it actually does, accounts for three times as much economic activity as it actually does and is 30 per cent more Australian-owned than it actually is.

This is an extract from *Mining the truth: The rhetoric and reality of the commodities boom* which is available to download from www.tai.org.au §

Bulky billing

Despite Australia boasting a universal health care system many people are now faced with extra costs for visits to the doctor, for having prescriptions filled and for diagnostic referrals. David Baker examines the true costs of health care in Australia and options for reform.

Medicare turned 27 this year. Thirty is just around the corner, and so it might be time Australia's system of universal health insurance started to look to the future a little. It won't be young forever so the time for consolidating and building for the future is now here.

In its early years (childhood if you like) Medicare grew quickly, providing increased savings for the public as the rate of bulk billing increased. But then around 2002 (coming of age at 18 years of age) there was a crisis, bulk billing rates dropped with a corresponding increase in gap fees for a visit to the doctor and for diagnostic testing.

> Australians are paying more than $1 billion a year in out-of-pocket expenses for their everyday medical care.

For the past ten years stop gap policies have been used to reverse this trend, mostly in the form of added payments to doctors and service providers, including incentive payments to providers who bulk bill patients.

As Medicare approaches 30 the government needs to start considering stable, long-term policies that will ensure Medicare delivers on its promise of providing "fair and affordable" health care without excessive increases to the cost of Medicare.

In November Health Minister Nicola Roxon floated the idea that it might be time to revamp Medicare. If the government is serious then there is a chance for Medicare to be set on a firm footing for the next thirty years.

Such a revamp will need to consider the extra costs people currently face for visits to the doctor, for having prescriptions filled and for diagnostic referrals such as blood tests and ultrasounds.

New research published by The Australia Institute found that Australians are paying more than $1 billion a year in out-of-pocket expenses for their everyday medical care.

One in five visits to the doctor now results in gap fees not covered by Medicare and almost a quarter of the people surveyed by the Institute said they had postponed or avoided having a prescription for medication filled due to the cost.

Young women are more likely to pay gap fees and as many as two out of every ten Centrelink cardholder have paid to visit their doctor, despite their low-income status.

Doctors have enormous discretion over how much patients pay, not just for their consultations, but also for medication and diagnostic tests. But for the most part recent reforms have not focused on the potential role doctors can play in saving patients money. The prescribing rate for generic medicines, for instance, has been stuck at around 14 per cent for the past ten years.

Only six per cent of survey respondents reported first hearing about generic medications from their doctor while 43 per cent said they would not use generic medication without first checking with their doctor. Most said they had first heard about generic medications from a pharmacist.

In the past, the government has regulated default settings on prescription software. One option for reducing out-of-pocket medical expenses is to do this again. If, when a doctor enters the name of a medication into their computer, the active ingredient is listed instead of a brand name drug, then patients could easily be provided with cheaper options.

Public awareness about the role of doctors in determining whether an individual pays gap fees for diagnostics, such as blood tests

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Bulky billing from page 12

and scans is also low. When doctors request diagnostic testing, they do so via a referral. Less than two in ten people surveyed realised it was up to their doctor to tick the bulk-billing box on referral forms.

By ticking the box, a doctor can ensure that a patient won't be charged any gap fees at all: if a referral indicates that the service is to be bulk billed, a private provider cannot overrule it. Three out of ten survey respondents mistakenly believed the government made this decision.

Any gap fees that are charged are unlikely to be questioned by the patient as they are following "doctor's orders".

The government has changed the emphasis in legislation regarding pathology referrals so that patients are now able to, unless instructed otherwise by their GP, take a pathology referral to any pathologist of their choosing. But, in most cases, doctors continue to use referral forms provided to them by private providers whose goal is to promote their business.

This effectively leads patients to private providers simply because the logos and addresses on the referral documents imply the test should be performed by that company. Any gap fees that are charged are unlikely to be questioned as the patient is following "doctor's orders".

Mandating the use of unbranded forms on which a range of public and private pathologists details are provided would reduce the pervasive marketing effect that currently exists.

Furthermore, the new forms could include a prominent field in which doctors enter an estimate of the cost likely to be incurred if the patient either does not go to a public provider or is not bulk billed. Such transparency would encourage patients to question the cost of tests should doctors fail to broach the topic.

A fresh look at how Medicare serves the public rather than corporate interests is required, and a fresh look that goes beyond the band-aid policies applied in the past.

Much of what is paid as gap fees flow as profits to medical and pharmaceutical companies.

Real structural reforms are needed that facilitate a functional and affordable health system that doesn't rely on extra money from the public over and above their contributions as taxpayers. Much of what is paid as gap fees flow as profits to medical and pharmaceutical companies.

Greater public awareness of the role doctors play in determining out-of-pocket expenses will play a vital role in achieving better results for patients. If the government can deliver an improved Medicare system in the next couple of years then there will be reason to celebrate Medicare's thirtieth birthday. §

Bulky billing: Missing out on fair and affordable health care can be downloaded from www.tai.org.au

Big change or a lot of hot air? from page 8

While the government has relied heavily on the notion that its polluter-pays scheme is superior to Abbott's pay-the-polluter scheme, both sides of politics remain silent on why taxpayers should provide more than $10 billion per year in subsidies to the users of fossil fuels.

There is no doubt that the introduction of a carbon price is a step in the right direction, but there is also no doubt that if we believe the science we have no chance of avoiding dangerous climate change if we, and other countries, continue to take steps as small as we have just taken. Indeed, the International Energy Agency stated, "Without a bold change of policy direction, the world will lock itself into an insecure, inefficient and high-carbon energy system." The IEA's chief economist went on to say, "I am very worried — if we don't change direction now on how we use energy ... [t]he door will be closed forever".

It has taken 20 years for Australia to introduce a carbon price and it is hard to imagine a less likely Parliament, or political climate, in which such passage could be achieved. The government is right to claim that its scheme will not bankrupt business or households or destroy the economy. And it is right to say its partial polluter-pays scheme is superior to Abbott's pay-the polluter-system.

But if we focus instead on the probability of climate change rather than the probability of political change then it is obvious that much more needs to be done, both domestically and internationally.

Australia is now one of the wealthiest countries in the world living at the wealthiest point in world history. In turn, our greenhouse gas emissions are among the highest in the world. If we, as a nation, believe that we cannot afford to do more to tackle climate change then it is virtually inconceivable that anyone else in the world could either.

The problem is, the climate scientists assure us that we cannot afford not to drastically reduce our emissions.

Someone is completely wrong, and I don't think it is the climate scientists. §

This article was first published in The Canberra Times.

Why banking competition is a problem of the mind

Very few people make the effort to switch banks despite public anger at interest rate rises and record profits of the Big Four. The Institute's Deputy Director Josh Fear explains why we can't rely on consumer action to drive change in banking.

Treasurer Wayne Swan is fond of telling anyone who will listen how much he wants bank customers to 'walk down the road and get a better deal'. This sums up the government's vision for reforming the banking sector: relying on consumers to drive change.

Unfortunately, as a senior executive from the Bank of England recently observed, someone is more likely to leave their spouse than their bank, at least in statistical terms. (Of course some people are much more fond of their partners than any financial institution you could name.)

So why do such a small number of customers actually make the effort to change banks, even when they know or suspect they are being ripped off? Late last year, the government commissioned Former Reserve Bank Governor Bernie Fraser to examine how to make the process of switching banks easier.

Fraser's report, released by the government in August, describes how patently unsatisfactory the present system is. Under this scheme, established three years ago, to start the process of switching people are required to visit their old bank to tell them that they are 'breaking up'. Just 6,000 people did so — far fewer than the number of people who have switched banks under their own steam.

> There is a public perception that there is no point in switching, because banks will find some way to rip you off whichever one you choose.

The Fraser report made a number of sensible suggestions, including putting the onus for taking action onto a customer's new bank rather than the old one. It also recommends that consumers need only give their consent to switch once, rather than dealing with each of their direct debits separately.

At face value there is nothing wrong with this approach. Banks seem to be generally happy with it, since they have avoided the allegedly prohibitive cost of complying with a scheme in which account numbers (not just bank accounts) are portable. But banks being happy with banking policy can be a bad sign for consumers, because it probably means that not much is likely to change.

The Fraser report acknowledged a fact that bewilders many financial types, observing that low rates of switching 'may have more to do with motivation and perceptions, rather than real barriers.' In suggesting this, the report draws attention to a phenomenon that banks continue to exploit with abandon, but that policy-makers find it very difficult to acknowledge, let alone respond to sensibly.

In banking, as in many other areas of behaviour, consumers are what could be called selectively rational. In other words, we sometimes make decisions that are in our own interests, but not all the time.

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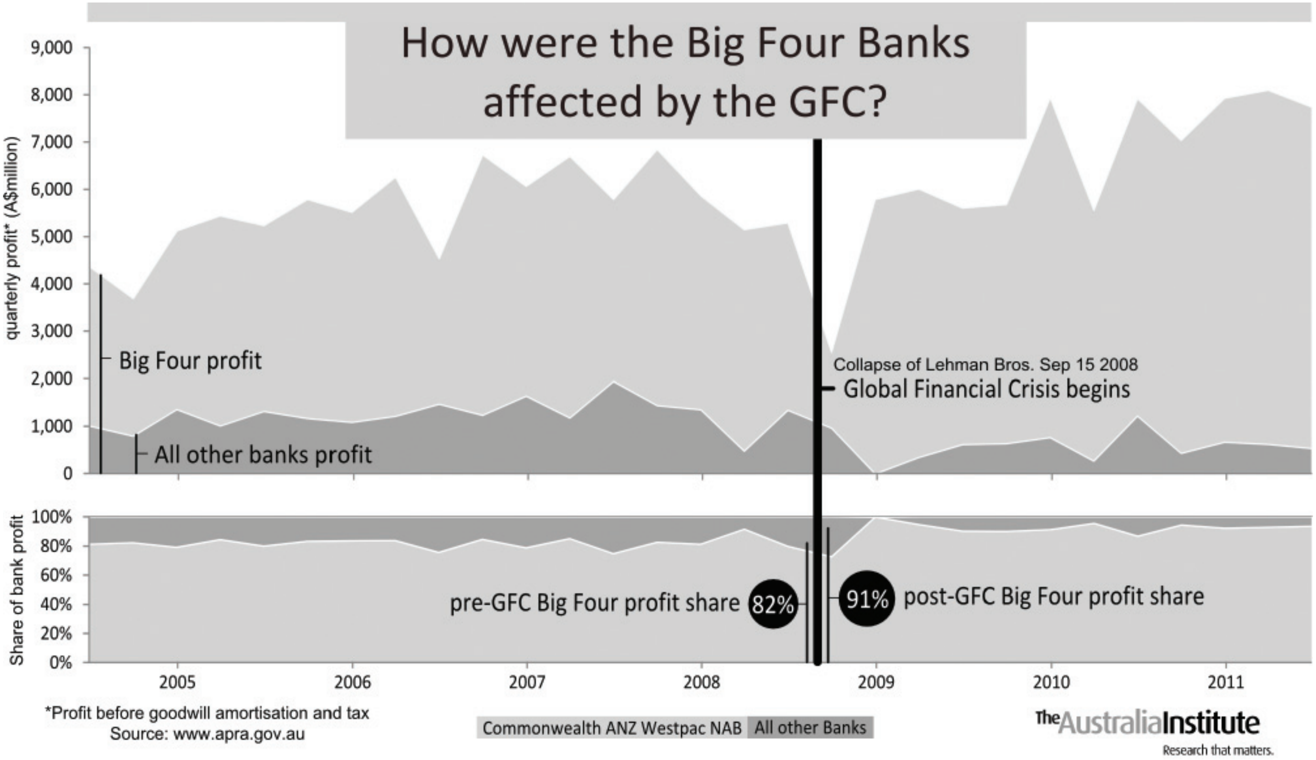
Why banking competition is a problem of the mind from page 14



They say a picture tells a thousand words and with the rise of social media images are increasingly being used to communicate a wide variety of information. Next year the Institute will put more resources into presenting the findings of its research through 'infographics', of which this is an example. We hope you will find this to be valuable and will help us to disseminate our research as widely as possible.

For policy-makers who are used to assuming that people respond predictably to the right incentives, this can be downright frustrating. Even the best switching arrangements in the world will do nothing for competition if consumers don't make use of it.

In banking, there are several reasons why consumers don't vote with their feet as much as we would expect them to in a world with perfect competition between banks. Contrary to Fraser's view, these perception problems are themselves the 'real barriers'.

The first perception problem is that the process of switching is an administrative nightmare, akin to filling out a tax return but without the threat of coercion if you don't. In the absence of a compelling reason to move, many people delay the task until the day they get around to it. Which many don't.

The second perception problem is that there is no point in switching, because banks will find some way to rip you off whichever one you choose. This perception is reinforced by the utter bewilderment that many people feel when faced with a choice between different financial products that are difficult to compare. As the Fraser report asked, 'if the transaction accounts on offer from different institutions are broadly the same anyway, why change?'

> The bundling of multiple financial products is the key to securing a customer's long-term loyalty.

The third perception problem is the one which actually poses the greatest threat to real competition, but is scarcely mentioned in the Fraser report and yet to be acknowledged at all by the government. This is the notion that changing banks is infinitely harder because of all the other products that consumers have with the same bank.

The bundling of multiple financial products — transaction accounts, credit cards, home loans, insurance and even investments — is the key to securing a customer's long-term patronage. It makes consumer choice in banking much more 'sticky' than it would otherwise be.

Bank advocates would call this kind of bundling 'financial innovation'; it is after all a relatively recent phenomenon. But from a consumer's perspective, it undermines the kind of competitive pressure that most players in the debate about banking reform say is necessary.

However bundling is interpreted — as legitimate business practice or fundamentally anti-competitive — it is undoubtedly in the interests of the dominant players in banking to reinforce the public perception that switching is too hard or not worth the effort. The more they can discourage people from taking the first step towards getting a better deal, the more the big banks can protect their own, highly profitable customer base.

This is why any action to promote switching needs to start with an admission that perceptions are in fact the 'real barriers' — and that the banks want to keep it that way. §

A basis for democracy?

The creation in 2010 of a single regulatory body to oversee how government information is managed was a significant development for individuals and organisations seeking greater access to public documents. Kerrie Tucker outlines the role of the Office of the Australian Information Commissioner.

The denial of access to information is a denial of the rights of citizens in a democracy. This was recognised by the United Nations at its inception in 1946, when the General Assembly resolved:

“Freedom of Information is a fundamental human right and the touchstone for all freedoms to which the United Nations is consecrated”.

In 2010 the importance of this right was acknowledged by the Australian Government and Parliament through the creation of the Office of the Australian Information Commissioner (OAIC) and reform of the Freedom of Information Act.

The creation of the OAIC represents major reform of how information is managed. The Australian Information Commissioner Act 2010 brings the previously separate areas of freedom of information, privacy protection and information policy together in a single independent statutory office. The OAIC is headed by the Australian Information Commissioner, supported by the Freedom of Information Commissioner and the Privacy Commissioner. The OAIC strategic plan defines the purpose of the office as being ‘to promote information rights and the strategic management of government information’. The vision is ‘an Australia where government information is managed as a national resource and personal information is respected and protected’. It is interesting to note that while the community has had a legal right to access certain government documents for nearly 30 years, this right has not before been overseen by an independent statutory body which is committed to promoting open government.

As a research organisation which works closely with civil society and regularly uses FOI in research projects The Australia Institute is keenly interested in how these reforms play out. There is an entrenched culture of secrecy in some areas of government and without strong commitment and leadership at the highest levels this will not be easily overcome. Also regarding the commitment to increased public participation in government processes, the experience of community members who seek information or who are “consulted” by government can vary widely. The new arrangements hopefully will bring greater consistency in responses not only across agencies but also within agencies. It can sometimes appear that the response of agencies to community input or requests for information is determined not by the evidence or principles of community engagement but by the status of the stakeholder or whether the input concurs with government policy. Community feedback needs to be managed in a transparent, fair and respectful manner. If this cultural change occurs not only will democracy be deepened but policies will be more responsive and relevant to community needs and aspirations.

Functions of the OAIC include to review the merit of access refusal

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2010–11 Annual Report of the OAIC

“A new objects clause declares the purpose of the FOI Act in a straightforward and profound manner: to promote Australia’s representative democracy by increasing public participation in government processes and increasing scrutiny, discussion, comment and review of government actions. The underlying premise of the FOI Act has been clarified and declared in a similarly forthright manner: ‘information held by the Government is to be managed for public purposes, and is a national resource’.”

HARD TIMES
THOSE ON OVER $150,000 PER YEAR WERE DOING IT TOUGH...
Thanks to GILLARD'S BUDGET, we're not getting that Family tax Benefit we weren't getting anyway...
MY DREAMS! What about my Dreams?!
THIS isn't THE Australia I thought I'd grow up in...
EVERYWHERE THERE WERE PAINFUL REMINDERS OF THEIR SUFFERING..
Keep walking... just keep walking...
DAILY OUTRAGE
GILLARD: "KISS MY ASPIRATIONS"
LTD. NEWS
THE POOR, POOR TOP 4%
SOME CHILDREN EVEN HAD TO FACE THE FRONT LINE OF THE CLASS WAR
Stay strong & remember- "I wont tip my boater/ to any Labor voter..."
AND ALL ACROSS THE NATION, PEOPLE FELT THEIR PAIN...
(Sigh!) Life's so unfair when you're earning $150 grand...
Thank GOD we never will...

Community engagement — is it working?

In reality, just how much has the new national information policy framework influenced how government departments involve and engage the community in their publication practice? Kerrie Tucker reports on the Institute's experience.

As part of the development of the national information policy framework eight principles on open public sector information have been published by The Office of the Australian Information Commissioner (OAIC).

The second principle is 'Engaging the community' and states:

Australian Government policy requires agencies to engage the community online in policy design and service delivery. This should apply to agency information publication practices. Agencies should:

- Consult the community in deciding what information to publish and about agency publication practices
- Welcome community feedback about the quality, completeness, usefulness and accuracy of published information
- Respond promptly to comments received from the community and to requests for information
- Employ Web 2.0 tools to support community consultation.

For more than a year The Australia Institute and 12 other NGOs have been testing the practical reality of this principle through a request for an independent review of materials published and public awareness events held, by the Department of Innovation, Industry, Science and Research (DIISR) and in particular by the National Enabling Technologies Strategy (NETS) office. This experience has been challenging.

To briefly summarise the process, the initial community feedback was given at a stakeholder workshop on public engagement organised by the NETS in May 2010.

At this forum concerns expressed by the stakeholders included that public education and communication materials, (including school curriculum materials) and public events organised or supported by NETS and DIISR, did not reflect an adequate diversity of views. The NGOs expressed concern that such materials did not accurately reflect the state of the emerging scientific knowledge about health and environmental risks associated with nanotechnology, and either ignored or trivialised broader societal concern. Further, the NGOs observed that there was bias and failure to deal professionally and genuinely with NGOs in relation to nanotechnology (and other technologies).

As a result of these concerns the stakeholders proposed that there be an independent review (with NGO participation) of DIISR /NETS supported materials and activities. It was also proposed that funding be provided to support NGOs and unions to document their views and analyses of public interest issues associated with management of new technologies such as nanotechnology.

The response to these requests was disappointing. Nearly a year after the original request the stakeholders were informed that if they wanted funding for production of materials they could apply like any other interest group to the NETS office for funding for a specific project. This may be a reasonable response but the time taken to give it was not.

The proposal for an independent review of NETS publications was referred to the then non-existent NETS 'Stakeholder Advisory Council' (SAC). Eight of the organisations wrote to then Minister Carr, expressing concern about this outcome. The Minister did not respond to this letter and nothing happened until the SAC was formed early in 2011. The SAC (which is composed of industry research and NGO/union stakeholders) agreed to the review. The NGOs rejected the initial draft terms of reference because they did not adequately reflect concerns of the 2010 meeting. They then proposed new terms of reference, which after input from a subcommittee of the SAC, were accepted in July 2011, more than a year after the original request. A further concern then lay in the selection of materials provided to the review. In papers circulated to the November 2011 meeting of the NETS Stakeholder Advisory Council, NGO representatives were concerned to read that it was the responsible public servant from the Public Awareness and Community Engagement office who had personally selected the information materials and public events to be reviewed by the independent panel. NGO representatives to the SAC noted that this was most unusual and inappropriate process, for the person whose department was the subject of a complaint and independent review to then be responsible for selecting the materials that would form part of the review.

The NGO representatives to the SAC also noted that whereas details of 100 public events had been passed on to the panel, it was unclear how many published materials had been made available. The SAC was advised that the NETS office would not reveal the content of materials to be reviewed by the panel. The NGO representatives to the SAC requested permission to forward to the panel a selection of materials that were of particular concern to them, to ensure that these formed part of the review. A representative from NETS agreed

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What you don't know can hurt you

In the previous edition of the newsletter we reported on the boom in online retail as customers were lured by cheaper prices and convenience. In this edition, Josh Fear outlines the role search engines can play in determining online competition.

We've heard a lot recently about how the internet is changing the retail landscape. Despite the extreme lethargy with which many of Australia's largest bricks-and-mortar retailers have embraced online opportunities, consumers are increasingly turning to the web to find more products at lower prices, and without needing to go anywhere near a Westfield.

What hasn't been part of the discussion of online retail is the role that search engines like Google, Yahoo! and Bing play in shaping the buying habits of online shoppers. Search engines are the nexus between millions of internet users and the huge variety of products and services available online. Search might then be characterised as an essential online service, much like electricity, telephony and banking.

However, key information about the way search engines work — the algorithms used to generate search result rankings — is generally not available to the public or to regulators. Instead, they remain a 'black box' controlled by and known only to the companies which provide search services. Essentially, search algorithms represent the opinion of the search provider about which webpages are most likely to match the user's search. If enough people use a particular search service, the power wielded by such opinions can be significant, influencing economic behaviour and determining what online content users are most likely to access.

> Google enjoys a virtual monopoly in many countries, including Australia.

Given the key role of search engines in online activity, it is noteworthy that one search provider in particular, Google, enjoys a virtual monopoly in many countries. Public goodwill and the obvious quality of its products have delivered Google a massive share of the search market, including over 90 per cent in Australia.

Just as market power remains a concern in the banking, mining and retail sectors in Australia, the market power that this particular firm wields in internet search should concern regulators. Despite its founders famously instructing staff to 'do no evil', Google is a publicly listed company whose ownership and corporate strategy can change virtually overnight. There are no guarantees that the company's future owners will act for public benefit where this comes into conflict with their own interests.

If the internet is to evolve in ways which Australians say they want it to — with growing levels of diversity and choice, not less — then regulators and consumer groups need to pay serious attention to market power on the internet. With only six per cent of all retail sales in Australia currently made online but internet commerce expanding rapidly, now is the time to lay the foundation for a truly competitive online marketplace.

What you don't know can hurt you: How market concentration threatens internet diversity can be downloaded from www.tai.org.au §

Patent controversy: it's time Big Pharma took its medicine

The current system of drug patents is dysfunctional in many ways. Philip Soos from Deakin University describes what is wrong and some possible solutions.

Over the past couple of decades, the pharmaceutical industry has come under attack for its perceived shortcomings amid claims that it's greedy, profiteering nature has caused significant harm.

However, these problems stem not from the profit motive, but rather because in 21st-century, technologically advanced Australia, pharmaceutical research and development (R&D) is financed by means of 15th-century medieval government monopoly: patents.

It is assumed by governments, industry and economists, without evidence, that patents comprise the optimal mechanism for financing R&D. It has become a faith.

In fact, the perverse incentives and problems generated by pharmaceutical patents are so numerous that only a few can be described in detail here. They include:

- Monopoly pricing
- Non-innovative copycat drugs
- Withholding of negative clinical trial research
- Regulatory capture
- Uncompensated appropriation of public R&D
- Intimidation of researchers
- Conflicts of interest between medical professionals and industry
- Fraud
- Tragedy of the anti-commons
- Endless litigation
- Misleading high-pressure advertising
- Distorting physician prescribing
- Anti-competitive behaviour
- Astroturf campaigning
- Corporate takeover of universities
- Exaggerated R&D expenditures
- Rent-seeking
- Counterfeiting
- Capture of medical journals

And most tragic of all: death.

Some economists have suggested alternative policies, such as prize funds, patent buybacks, compulsory licensing, advance market commitments, patent pools, and more public funding.

> The existing patent system does not work in the interests of Australian consumers, taxpayers, scientists or academics.

Unfortunately, while theoretically superior, little research has been performed to compare these alternatives to our patent system — and certainly not in terms of taxpayer cost and employment.

Instead, the government intervenes to "regulate" industry and subsidise consumers through the Pharmaceutical Benefits Scheme (PBS), with the aim of dealing with the problems caused by the initial intervention of patents.

Government provides the PBS subsidy, tax breaks, R&D credits, corporate charters, the patent office, patent enforcement and the court system. And god-only-knows what state and local governments offer to industry.

Simply put, Australia provides over $9 billion in subsidies and protection to an industry that generates a $22 billion turnover, resulting in a miserably low $1 billion worth of R&D.

Industry has been known to add administrative and marketing costs to inflate R&D, let alone what is misallocated in regards to non-innovative copycat drugs. Half of all industry employment is in wasteful sales and marketing.

A big problem is that there is conflicting data regarding the industry from the Australian Bureau of Statistics, Medicines Australia, Department of Innovation and Australian Institute of Health and Welfare.

This has resulted in a lack of accurate statistics — a state of affairs that plays nicely into the hands of industry.

For instance, the Department of Innovation says the industry employs 13,400 R&D workers, but Medicines Australia's industry survey reports that this is much less. A public audit is desperately needed to discover what the facts are.

A public alternative

I propose a new system whereby the government directly finances R&D, and all drugs are produced as generics at market-competitive prices.

By appropriating 1% of GDP ($12 billion) annually, the government can provide $3 billion to each of our four major R&D-intensive institutions — public labs, universities, for-profit firms and non-profit foundations — through either direct funding or contracts.

It will be necessary to fund a small subsidy program for low-income earners, the elderly and chronically ill, as well as financing health and medical journals, patient groups and continuing medical education.

The CSIRO's annual report provides a good model for how funding could be allocated: capital investment (10%), labour (54%), and supplies (36%). An employment breakdown is provided: R&D (65%), technical (15%), administration (18%) and management (2%).

R&D employees are paid around $95,000 annually, so $12 billion will produce 44,000 R&D jobs — more than three times what industry claims to employ.

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Patent controversy: it's time Big Pharma took its medicine from page 20

If half of the $12 billion results in R&D, then it is six times what industry performs. If it is the full amount, then twelve times.

Monopolistic pricing is eliminated, making medicines easily affordable.

As the link between R&D and sales is severed, there is little to no incentive for industry to engage in the wide array of outrageous behaviour to maximise sales. The pharmaceuticals market will shrink in size as prices reflect production costs.

Australia already has R&D institutions in place and the government has shown no problem with spending. This policy is a conventional and conservative proposal, given it eliminates government monopoly and utilises free market production.

A more equitable model

Australian stakeholders — consumers, taxpayers, scientists, and academics — must realise that the patent system does not work in their interest.

It is a policy purposefully designed to redistribute wealth and income upwards to the rich. It is a conservative nanny state policy.

It works for the corporate elite and rentier oligarchy, which are dependent on reverse Robin Hood policies — take from the poor and give to the rich.

> Half of all pharmaceutical industry employment is in sales and marketing.

Ironically, free-marketeers and conservatives are at the forefront of supporting government monopoly and corporate socialism. Liberals are not much better in this regard.

Unfortunately, the corporate elite have ensured that Australia is obligated to enforce patents through legal treaties administered by the World Trade Organisation and the usual round of "free trade" agreements that promote the most toxic form of government monopoly.

These legal barriers, however, do not prevent Australia from establishing and funding alternative systems.

Furthermore, they do not force the government to give patents to firms, only to enforce patents granted — and have only done so because government is under the delusion that patents are the best way to finance R&D and create employment. The government can also pass a law that disallows patenting of any publically financed R&D. These treaties, however, still pose big problems to reform.

The public has a long road ahead of itself to reform the R&D system, given that it must deal with the barrage of propaganda dispensed by government and industry.

The ideology that upholds the patent system is built upon a foundation of quicksand that quickly collapses upon close inspection.

In the end, the change will be worth it, given the enormous economic return on medical and health research.

Philip Soos is a researcher at the School of International & Political Studies, Deakin University. This article first appeared on The Conversation. §

Merry Christmas from The Australia Institute

The Australia Institute would like to wish all its members and supporters a very happy Christmas and enjoyable New Year. Many thanks to all those who have assisted us during 2011, both financially and in other ways, to conduct 'research that matters' and achieve positive outcomes for a fairer Australia.

Community engagement — is it working? from page 18

to accept this material but could not commit to making this available to the panel conducting the review. After further correspondence on the matter it was agreed that all material forwarded by the NGOs would be sent to the review panel. At the time of writing there were still unanswered questions about detail of what was sent to the panel.

This process has been far from satisfactory. While it could be said that the final outcome may eventually respond to the input of the community groups concerned, this is only because of the persistence and experience of a number of individuals in the group. We are pleased that the OAIC has taken an interest in this process of review and hope that it will be a useful exercise in developing better practice of community engagement and responding to community feedback on public sector publishing practice. §

Can you shout us the cost of a coffee each week?

It's hard to put a price on good ideas but regular donations, such as the cost of a coffee, definitely help them percolate. The Australia Institute relies on the generosity of its members and supporters to fund its research so if you're in a position to make a regular donation, we're in a position to spend every cent of it producing more 'research that matters'. It's easy and secure to donate via the website www.tai.org.au: click the 'donate' tab and then select the monthly contribution button. All donations of $2 or more are tax-deductible.

Polluted time

Since The Australia Institute first declared national Go Home On Time Day in 2009, hundreds of thousands of workers have taken part. That working your proper hours is seen as radical by some is an indication that Australia's addiction to work has gone too far and that something needs to give. Josh Fear reports on the findings of this year's theme 'polluted time'.

In a classic Looney Tunes cartoon of the 1950s, Ralph E. Wolf and Sam Sheepdog would clock on at the same time every day at the sheep meadow. When their shift ended, Ralph would stop trying to abduct Sam's precious sheep and they would both clock off again. Their work done for the day, Ralph and Sam would exchange pleasant chit chat and trot home.

> Polluted time is one of the many consequences of a labour market which has become increasingly 'flexible'.

If this kind of thing seems quaint today, perhaps it is because the boundaries between work and life are increasingly blurred. Many of us don't only do our jobs, we are our jobs — regardless of what time it is or where we happen to be.

For employees who do not have the power to insist on clear boundaries between work and life, the hyper-connectivity which characterises contemporary work practices can be a curse rather than a blessing. For these people, 'free time' is in fact 'polluted time' which cannot be used as it otherwise would.

Polluted time could be described as those periods in which work pressures or commitments prevent someone from enjoying or otherwise making the most of their non-work time. Time can be polluted by needing to do work tasks outside of normal working hours, being on call to come into work if necessary, or simply thinking about work to the extent that affects the way free time is used or experienced.

Polluted time is one of the many consequences of a labour market

which has become increasingly 'flexible' over the past few decades. All too often the benefits of such flexibility have flowed to employers, while employees see less flexibility than they would like.

In the modern, technology-driven work environment, it is now possible for

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Go Home On Time Day 2011 and our research highlighting the issue of polluted time and overwork generated some fantastic headlines and coverage.

managers to dictate what employees do when they are outside the workplace as well as in it. These new demands on non-work time represent a form of soft control over workers and a new frontier in unpaid overtime. They also inevitably have negative consequences for individual and family wellbeing.

In a workforce of 11.4 million people, some 6.8 million workers experience some degree of time pollution in any given week.

Because employers undoubtedly reap the dividends of the extra work done outside the workplace, they can therefore be disinclined to intervene. Meanwhile, employees sometimes work more than required to stake a claim to future benefits like a pay rise or promotion (or maybe just to keep their job). When the tendency to work too much is combined with relentless connectivity, the use of technology can get out of hand.

In theory, technology is supposed to make workers more efficient and productive. In practice, it may in fact do precisely the opposite. Rather than workers using these new tools to do their jobs more effectively, they are now increasingly beholden to those very tools.

Just because technology has made work easier in certain respects does not mean that its effects have been consistently beneficial. While the marketing and advertising of IT products tends to focus on the working utopia that their purchase will usher in, in reality the use of smartphones, mobile computers and the like can actually add to the workload of many workers by putting them perpetually 'on the grid' and habituating them to a new and more demanding lifestyle.

Recent research conducted by The Australia Institute for its national Go Home On Time Day initiative demonstrates how widespread time pollution is. Survey results suggest that in a workforce of 11.4 million people, some 6.8 million workers experience some degree of time pollution in any given week, while 1.75 million workers regularly have their free time polluted by work demands. Polluted time is an affliction that is more likely to be experienced by people on middle and higher incomes — that is, people in skilled jobs.

Some workers may have made a conscious decision to allow their free time to be interrupted in return for a higher wage (or extra pay for being on call), while some may simply enjoy their jobs so much that they don't mind spending more time working than they need to. For others, however, working during evenings or on weekends may be less a matter of choice than necessity — perhaps because it is expected by their manager or in their vocation, or because certain tasks can only be carried out by them. Or maybe there is simply too much work to be done.

While employers often insist on limiting personal use of technology at work, they also make explicit or implicit demands on their employees' free time by providing them with those very same technologies for use outside the workplace. This is a fast track to low morale and high staff turnover.

National Go Home On Time Day is now in its third year.

For their part, workers should beware of bosses bearing gifts. Although hi-tech gadgets are attractive, in a work context they often come with conditions attached.

Polluted time: Blurring the boundaries between work and life is available on the Institute's website www.tai.org.au §

A basis for democracy? from page 16

decisions, investigate complaints about FOI administration, publish FOI guidelines that agencies are required to consider, provide training and advice to agencies and the public, monitor agency administration and review the operation of the FOI Act and advise government. There should also be a stronger emphasis on disclosure because the Act is now clearer about where public interest grounds can be used as justification for withholding information.

The introduction of a legislated basis for Australian Government information management, policy and practice is also significant. Until 2010 it was seen to be part of the function of the executive of government of the day. Enshrining information policy in legislation is an acknowledgement of the importance of information in a healthy functioning democracy. As part of the development of the national information policy framework eight principles on open public sector information have been published by the OAIC. The first principle is:

"Open access to information — a default position — Information held by Australian Government agencies is a valuable national resource. If there is no legal need to protect the information it should be open to public access."

The remaining principles cover engagement of the community, and best practice management of information including clear reuse rights, appropriate charging and transparent inquiry and complaints processes.

The OAIC will evaluate agency compliance with the Information Publication Scheme this year and we look forward to contributing to this process.

> There is an entrenched culture of secrecy in some areas of government.

An appropriately resourced OAIC is critical in ensuring these legislative changes result in best practice by governments. Independent statutory bodies are still subject to budget decisions of the government of the day, and there is cause for concern if, for political reasons, effectiveness of such bodies is diminished through budget decisions. §

Looking ahead

Three-and-a-half years since taking on the role of Executive Director, Richard Denniss outlines some changes to The Australia Institute in 2012.

In my first newsletter piece after becoming Executive Director of The Australia Institute I said that I was interested in exploring the old fashioned issue of the role of government in a modern economy: when we should regulate and when we should leave things up to individuals; whether or not the government is doing too much or too little; and in what areas there is an excess of intervention and in what areas there is a shortage.

First, as an Institute I think we need to become easier for other organisations to work with. We have a long and proud history of generating high-quality research that identifies and reconceptualises big problems and proposes new solutions. But often we are too early, and sometimes too late, to influence the thinking and the campaigning of organisations whose *raison d'être* is to push for the kinds of change our research says is needed.

If you personally think you can afford to pay a bit more tax then why not consider making a monthly donation to the Institute to help us argue the case for the wealthiest Australians to invest more in the services that we need the most, rather than spending more on the consumer goods they need the least.

In setting the Institute off on that path I had no idea that the GFC and the collapse of some of the world's biggest financial institutions would lead the world to re-examine exactly those issues. But at the same time, I could have never imagined that Australian policy debate would barely shift after such a calamitous event and after some of the world's most influential free-market economists publicly reversed their attitudes towards regulation.

Meanwhile, there are large segments of 'the left' in Australia who are simultaneously critical of the excessive growth and influence of the finance sector and enthusiastic about the creation of an emissions trading scheme and all of the financial derivative products which will inevitably flood the market.

Much is made of the lack of 'a narrative' on the progressive side of Australian politics, but is it any surprise that some people struggle to give clear answers to questions they have barely considered?

With this question in mind, The Australia Institute intends to begin the task of reforming itself in order to better influence the reform of the national debates we care so much about. While it might take a while to notice any changes, we will begin the new year with some new internal structures designed to make it easier to do quite different things simultaneously.

Sometimes we need to work more closely with campaigning organisations, not because we need to change the kinds of ideas that we publish, but because we need talk meaningfully about our research to those on the front lines at the times they can act on it.

One of the first changes you might notice is that some of our staff will take on roles leading specific streams of research. One of the first of these will relate to the impacts of mining expansion in general and coal seam gas in particular. The Institute's interest in these issues is not new, but hopefully having staff members who are publicly linked to this ongoing research will make it easier for other organisations to engage with us.

Second, as an Institute I think we need to help organisations who are fighting for particular changes to see how their individual campaign could fit into a broader strategy shared by other organisations whose values are similar but whose short-term goals are quite different.

Consider the issue of tax. Australians pay less tax than almost anyone else in the developed world, and you can't fund champagne services on a beer budget. Indeed, if we don't collect more tax we have no chance of providing significantly more support to those who need it the most.

While there are dozens of organisations who lobby governments for additional spending, ranging from renewable energy to disability services, there are very few people who work full time on the fight to increase the amount of tax revenue collected by government.

The Institute plans to change that.

Next year we hope to bring together a wide range of organisations who, whether they realise it or not, need the state and commonwealth governments to collect more tax. Put simply, if many organisations try to convince governments to spend more but none argue the case for more tax revenue, then many progressive Australian NGOs actually end up fighting against each other for a slice of a shrinking pie.

The first step in collecting billions of dollars more in tax revenue is to realise that we don't even need to increase tax rates. The best starting point is to scrap the wide range of expensive and inequitable concessions and loopholes that do everything from encouraging firms to use fossil fuels to subsidising the water bills of retired millionaires.

By this time next year I hope that the Institute has staff members dedicated full time to the pursuit of increased tax revenue. Further, I hope that we are working with a wide range of NGOs who might not think fiscal policy settings are their main game but who have come to understand that unless someone wins the fight for more taxes they have virtually no chance of winning the fight to spend more on the problems that really matter to them.

So how can you help?

If you think that Australia's biggest companies and Australia's wealthiest people can afford to pay more tax then please email me at richard@tai.org.au with your perspective. If you think your organisation would have more chance in lobbying for new spending initiatives if the government had billions of extra dollars to spend then encourage your organisation to get in touch with me as well.

Thanks for all of your support this year.

Have a safe and Merry Christmas.

Richard §

New publications

M Grudnoff, *Carbon Bloating: The unintended consequences of giving away free permits to big polluters*, Technical Brief 11, November 2011.

J Fear, *Polluted time: Blurring the boundaries between work and life*, Policy Brief 32, November 2011.

D Baker, *Bulky billing: Missing out on fair and affordable health care*, Policy Brief 28, October 2011.

D Richardson and R Denniss, *The Australian wine tax regime: Assessing industry claims*, Technical Brief 10, September 2011.

D Richardson and R Denniss, *Mining the truth: The rhetoric and reality of the commodities boom*, Institute Paper 7, September 2011.

D Richardson and R Denniss, *Mining Australia's productivity*, Policy Brief 31, August 2011.

M Grudnoff, *The direct costs of waiting for direct action*, Policy Brief 30, August 2011.

J Fear and R Denniss, *What you don't know can hurt you: How market concentration threatens internet diversity*, Institute Paper 6, August 2011.

D Baker, *The wage-penalty effect: The hidden cost of maternity leave*, Policy Brief 24, July 2011.

R Denniss and M Grudnoff, *The real cost of direct action: An analysis of the Coalition's Direct Action Plan*, Policy Brief 29, July 2011.

Opinion pieces

All opinion pieces written by Institute staff can be downloaded from the website www.tai.org.au. For regular updates on the Institute's work and links to our op-eds, see our Facebook page or sign-up for Between the Lines.

Walking both sides of the street, *The Canberra Times*, 24 July 2011

Economic road map failure, *The Canberra Times*, 08 July 2011

Abbott's direct action plan on carbon is friendless, *Online Opinion*, 14 July 2011

Denniss: My tactics for debating Monckton, *Crikey*, 21 July 2011

Debating Lord Monckton, *ABC The Drum*, 22 July 2011

Direct Action: Good politics, bad policy, *Australian Policy Online*, 29 July 2011

The right gets it very wrong, *The Canberra Times*, 05 August 2011

Online won't destroy retail, it'll give us money to spend locally, *Crikey*, 05 August 2011

Abbott reads from Mao's little green book of nonsense, *The Punch*, 08 August 2011

Big has become beautiful, *The Canberra Times*, 20 August 2011

Carbon tax: for Abbott it's appalling policy or appalling hypocrisy, *Crikey*, 23 August 2011

Who has power over the internet, *Online Opinion*, 23 August 2011

Feel pain but no gain from boom, *Courier Mail*, 24 August 2011

Searching for transparent online competition, *ABC The Drum*, 24 August 2011

Denniss: carbon price and the truth about 'truthiness', *Crikey*, 30 August 2011

Despite your fears, dumping your bank won't end in tears, *The Conversation*, 31 August 2011

Asylum-seekers a distracting non-issue, *The Canberra Times*, 02 September 2011

It's all smiles for some, but mining boom benefits don't 'trickle down', *The Conversation*, 05 September 2011

Footy codes not on level playing field in pokies fight, *Crikey*, 26 September 2011

Abbott out of step on carbon, *Online Opinion*, 27 September 2011

Rise of the 'glibertarians', *The Canberra Times*, 30 September 2011

Threat to our carbon efforts, *The Canberra Times*, 15 October 2011

Industry straddles both sides of 'free trade' debate, *The Canberra Times*, 28 October 2011

To state the bleeding obvious, more mining tax revenue is better than less, *Crikey*, 22 November 2011

The rising costs of Australian health, *Online Opinion*, 03 November 2011

Big change or a lot of hot air?, *The Canberra Times*, 12 November 2011

What ails thee: diagnosing the health of Medicare, *The Conversation*, 18 November 2011

Truth behind all the fiscal tough talk, *The Canberra Times*, 25 November 2011

A challenge to our leaders – why don't we legalise euthanasia?, *The Conversation*, 29 November 2011

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Institute News

The Australia Institute in numbers in 2011

Institute notes

After almost five years at the Institute, Deputy Director Josh Fear has decided it's time for a new challenge and is leaving the Institute to take up a position with the Australian Research Alliance for Children and Youth (ARACY). Josh is the longest, continuous serving member of staff, has been a valued Deputy Director and was the driving force behind the Institute's polling capabilities. Josh will be greatly missed and the Institute wishes him every success in his new role.

Senior Economist – Matt Grudnoff

I have been working full time at The Australia Institute for about five months and I have to say it's a great place to work! In the time I have been here I have worked on a variety of different research projects including analysis of the Coalition's climate change policies in *The direct costs of waiting for direct action* and *The real cost of direct action: An analysis of the Coalition's Direct Action Plan.*

I moved to the Institute from the Department of Climate Change where I worked on the development of the emissions trading scheme under the Carbon Pollution Reduction Scheme and then the Clean Energy Act. Working at the Department was a policy development rollercoaster ride as the government battled the Senate over the details of the legislation. Before working at the Department of Climate Change I worked at the far more sedate Australian Bureau of Statistics where I helped compile the GDP figures.

My role at The Australia Institute also involves teaching economics courses. I have a passion for teaching economics and have enjoyed putting on 'economics for non-economists' courses to help non-economists feel confident to engage in broader policy debates. Being able to understand, use and counter economic arguments has become a more and more useful tool in current policy debates. I have also enjoyed the opportunities to talk to various groups about the research The Australia Institute does. It's a great way to see firsthand the impact that our research has on people.

I have always been interested in ideas and communicating them in a way that can make a difference. I feel very privileged to work in an organisation that produces such great research and uses that research to influence the policy debate.