

Webinar Title

Guests

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In conversation with

Ebony Bennett

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Ebony Bennett [00:00:00] G'day everyone, I'm Ebony Bennett, deputy director at the Australia Institute, and welcome to our 2022 webinar series and to today's wrap of the 2022 budget. I want to begin by acknowledging that Canberra is Ngunnawal country and pay my respects to elders past and present. Sovereignty was never ceded and it always was and always will be aboriginal land. Days and times for our webinars do vary, so please head on over to our website at Australia Institute dot org dot a few so you don't miss out on our upcoming webinars next week as our fortnightly pole position with Katharine Murphy and Peter Lewis. So make sure you check that one out, but of course, you should all head to the Australia Institute's website and sign up. Subscribe to hear from us later today, we'll be putting out our big budget analysis. Our comprehensive budget analysis will be going out later today, so make sure you signed up to hear that one. Just a few tips before you begin to help things run smoothly. If you hover over the bottom of your Zoom screen, you should be able to see a Q&A box where you can ask questions of our panellists about other people's questions and make comments on them a reminder to please keep things simple and on topic in the chat or will boot you out. And lastly, a reminder this discussion is being recorded and it will go up on Australia Institute Dot TV later today. So it is budget week and our economists and researchers have been poring over the budget papers to find out who wins, who loses and what it means for Australia's economy and wellbeing in the future. It's important to note that this budget is early this year. It's normally in May. This time it's in March, because obviously in May it will be having a federal election, which does change the complexion of the budget just a little. For a bit of context, the prime minister is in a bit of a rough spot at the moment. The coalition is down in the polls. Summer was a bit of a disaster thanks to the al-Muqrin wave of the pandemic, and now we have a series of climate induced natural disasters, including flooding across northern New South Wales and south east Queensland. Unemployment is low, but so is wages growth. Export prices are up and so is the cost of living. That's

just a little bit of context for the budget, and I'm delighted to introduce Richard Denniss, our chief economist, Matt Grudnoff, our senior economist, and Eliza Littleton, research economist at the Australia Institute, to talk about the budget. Thanks Richard, Matt and Eliza for joining us. Richard, I'll start with you. You were in the budget lockup. Can you just tell us a little bit about how you would describe this year's federal budget?

Richard Denniss [00:02:43] I'd describe it as a pre-election budget. I mean, you know, everything that we've heard the last term of office, everything we've heard for the last 10 years jettison that. You know, let's not forget that this government was elected to solve a debt and deficit emergency, a budget emergency. So forget all of that promises made three years ago that the budget was back in surplus. Forget all of that. This is, as has been widely reported, a cash splash in the lead up to the election, which is obviously targeted at the groups. I think most likely to be swinging voters in the marginal seats that they're most likely to win. So we're having to put it into context. You know, we saw the government's plans on Tuesday night how they plan to spend three hundred and fifty billion dollars, sorry, six billion dollars. That's how much the government spends each year. It's 600, \$30 billion. And the primary purpose of that, according to the budget speech, was to swing a handful of votes in a handful of seats. Now, whether or not that works or not, time will tell. But it's no accident that we didn't increase unemployment benefits but gave a one off payment instead. It's no accident that there's no plan to boost wages growth, but wages are forecast to grow, and it's no accident that there's nothing in there to help address climate change. Because the political strategy required by Scott Morrison is to get a handful of voters in a handful of seats to try to change their mind and swing to him. So people earning over 200000 bucks a year will get a \$9000 tax cut in 2024. The Treasurer didn't mention that because he knows they already know, right? So the whole budget speech left out the thing that they're proudest of enormous tax cuts for high income earners, the fuel excise who will benefit most from the fuel excise, the tradies driving the subsidised enormous ute right. So. And then, of course, wage subsidies rather than direct job creation. Who's going to win? Who's going to benefit from a \$15000 wage? Subsidy, the builder employing the tradie, the apprentice tradie, so for a builder earning over 200000 bucks. Big tax cut coming their way. Cheap petrol for their enormous vehicle coming their way. Wage wage subsidy for the young people they're going to employ. What about the rest of us? Well, they think we won't switch our votes no matter what they give us. So they gave us nothing.

Ebony Bennett [00:05:28] Matt, you're a veteran of many budgets as well. I might just come to you quickly for your kind of overall impression of the budget.

Matt Grudnoff [00:05:36] Yeah, this budget was special. It's different from all of the other budgets. I've had pre-election budgets before, but nothing this kind of gross and obvious. In particular, if you go back a couple of years, you might have remembered when when Morrison was treasurer, he didn't. He kept saying, Oh, this isn't a budget, it's an economic plan, it's an economic plan. And I know whether people I remember that one. Yeah, I've never seen a budget so lacking in any kind of plan. So much so that after the election, the Labour Party have said, Well, we'll have another budget this year, which, you know, as a budget fanatic, I love the idea of two budgets in one year. It's like two Christmases in one year. But I reckon if the coalition wins this election, they should have a

budget after the election, too, because there's nothing in this budget that goes beyond this election. This budget is totally and completely about the next eight weeks, and you know, you would be flattering it to say that it has a plan for the next six months, let alone four for the next four years or the next 10 years. Yeah.

Ebony Bennett [00:06:37] Eliza, I might come to you next, and I might just get you to move forward a little bit, if you don't mind. Last year's election and last year's election, last year's budget had a lot of measures that seem to be targeted at women. In part, I think, to address some perceptions that the coalition government had been ignoring women or had a women's problem. How does this year's budget compare for women overall?

Eliza Littleton [00:07:06] Yeah, great. So I think this year we still have a women's budget statement, which is really good, and the government announced that they would spend \$2.1 billion on on policies that they perceive as like women's policies. So they say that they're going to improve safety, health and economic security for women with this money, and it's less than they spent last year. So I'd say they think they've apologised for everything they need to apologise for. And now, now, now we're just, you know, amongst amongst all the voters they're trying to attract. So, you know, not huge spending but not know spending. The bulk of their spending is going towards a like the implementation and transition towards a new national plan to address domestic violence for women. So more common are more kind of short term accommodation, spending more payments for survivors, better access to services and things like that. But I think the biggest issue with this kind of women's budget statement this year is that the government is treating issues that affect women as though they're isolated incidents rather than connected and part of a bigger kind of structural gender equality inequality that exists in our economy and society.

Ebony Bennett [00:08:35] Richard, I know you had highlighted some specific domestic violence funding, I think, for a trauma recovery centre. Is that right? Can you tell us a little bit about that one?

Richard Denniss [00:08:44] Yeah, no. Thanks for asking. It's a wonderful organisation been pushing for the kind of policies that Eliza just referred to down in the Illawarra. And as a result of this budget, for the first time ever, there will be funding for what what I think it's simple to describe as a one stop shop for for women who have been victims of domestic violence or sexual violence. And you know, this is a wonderful thing that finally doing it. But let's be clear, right up until today, a woman who needed diverse treatments, everything from medical care to dental care to psychological care, to the social work to try and organise for the new crisis accommodation historically and today. For nearly every woman in this situation, they have to truck around all those different places seeking all that different care, often concealing their movements from a violent partner, either with kids in town or trying to organise childcare. So. So yeah, there are good initiatives in this budget, and I think the Law Centre is a wonderful one. But boy, you know, here we are one of the richest countries in the world, and we've already kind of just got to this point. So, yeah, you know, it's important to say that we can do this stuff. The question is, will, what are we going to do between now and the election? The role

these sort of centres out far more broadly and over the next 10 years. What are we going to do not just to provide better support, but obviously to stop the violence happening in the first place?

Ebony Bennett [00:10:14] Yeah, Eliza, I just want to come back to you on a specific issue, which was the changes to paid parental leave this year on Radio National. This morning I heard the Minister for Women's Economic Security talking about this measure as really empowering families with choice about who is going to stay home to care for newborn children. But there's also been some criticisms of some of the impacts of this policy. Can you just walk us through the changes in the budget and why some people are concerned that these changes will exacerbate gender inequality?

Eliza Littleton [00:10:55] Yeah, absolutely. So the main kind of two changes that have been made to the paid parental leave scheme that we have is that they've expanded eligibility for the paid parental leave scheme and also they've merged the existing 18 weeks that kind of the primary caregiver of a child of a newborn gets, which is usually a mother and mother takes that, and they've merged it with the two weeks that is kind of reserved for for dads or for secondary caregivers. And the issue with this and and it's true that it's giving potentially more choice or the illusion of choice to families. But it does mean as a result or in context to all of the other kind of structural pressures on households and financial pressures on households, particularly when they have a newborn, they're going to choose to potentially, well, a lot of in a lot of cases, they're going to choose to have the partner with the lower income, which is usually women take all the leave, which is just entrenching further women in these kind of primary care positions. And it means they're going to be trapped in low wage sectors in insecure work, more in the economy. So, yeah, I think that this overall is a really bad move on on the part of the government, and it's actually causing more issues for households and and entrenching more gender roles within households.

Ebony Bennett [00:12:27] And certainly, we've seen the Australia Institute's Nordic Policy Centre make some of those criticisms. You can find those critiques on the website and on Twitter, but essentially a lot of the Nordic nations have found. Correct me, if I'm wrong, Eliza, that when dads and secondary caregivers are given kind of use it or lose it, lose it provisions, they do tend to take that leave and it's better for families in a whole range of ways. Is that right?

Eliza Littleton [00:12:55] Absolutely. So in countries where the paid parental leave is not transferable, so it's, you know, it's dedicated to one or both parents in a specific amount. We see that, like the take up by dads is much, much higher than in cases where paid parental leave is flexible and can be transferred between between parents.

Ebony Bennett [00:13:19] So the idea of choice there? Sorry.

Richard Denniss [00:13:22] Well, yeah, exactly. I just to chime in on on sort of the what the fallacy of choice to some extent when we ignore these structural circumstances. Of course, choice is a nice

word, and it's nice to have choice when all of the choices are attractive. But you know, if someone says, do you want to punch in the mouth or kick in the guts, it's not really much of a choice. So just because you call it choice doesn't make it good. And to give you a clear example of this in Australia, our retirement income system heavily relies now around superannuation, and the system is terribly skewed against women. But the word choice is used to conceal these. So if you choose to take a low paid job in the caring professions like, you know, childcare aged care, then you're choosing to put less into super each week. And if you choose to take time out of the labour market to care for a kid, then obviously you're choosing not to contribute any money to your super for those years. And if you choose to take time out of the labour market later in life, perhaps to care for a parent or your partner's parent, well, then again, you've chosen not to contribute much to super. So then when you retire, your choices mean that you have far less put away in super than a bloke who worked full time. And thanks to our tax system, the Commonwealth will have contributed far less to the superannuation of a woman who made all those choices than they do to a high income bloke who worked full time. So it's really easy to say women's choices cause they low. Superannuation balances, but I actually think it's obscene to frame it up as as choice. Sorry. So yeah, of course. Choice, good karma.

Ebony Bennett [00:15:10] Sometimes I'm I can see we've got more than 600 people on line with us today. Thanks so much for joining us. The Australia Institute's budget wrap. Matt, I want to come to you next on housing affordability, a perennial problem in Australia. There's nearly always some type of first home buyers grant in budgets, it seems to me. But housing also seems more unaffordable than ever. We did say I think it was the prime minister. Just recommend that if people are having trouble are struggling to make rental payments, could they are just looking into buying a house instead?

Matt Grudnoff [00:15:49] I think we should extend that logic. If you're struggling to buy groceries, you should buy a supermarket. Having trouble affording petrol, buy an oil refinery, Labor, they're really simple solutions. Why didn't I think of that? It's staring us in the face.

Ebony Bennett [00:16:04] Why do I can't believe it? But Matt, what is in this budget that will help housing affordability if there is anything

Matt Grudnoff [00:16:14] well on it? What have they got in the budget that they claim will help? Housing affordability might be very different to what will actually help housing affordability and what they've got in the budget is basically they have this this scheme where people can borrow smaller deposits first. Home buyers can can have a smaller deposit and in order to get a loan in order to buy a house now, that might help some first home buyers into a house. But what it will ultimately do is it will increase house prices so it'll make housing actually less affordable. There are only two ways you could make housing more affordable. You can either decrease demand for housing or you can increase supply for housing. And if you give everybody the auction a little bit more money, what do you think's going to happen? Well, the price is going to go up. So if if you know, there are a bunch of first home buyers who can now borrow more because they need less of a deposit, well, then that

all rock up to the auction and the person owning the house will get more for the house, but it won't make housing more affordable. If you wanted to make housing more affordable, you could decrease investor demand for housing by reforming the capital gains tax discount and negative gearing. Or you could. The government could pump lots of money into social housing and build a whole lot more houses that would increase supply and that would make housing more affordable. But this government and and and all government so far seem to be much more interested in handing out more money to particular groups, which has the exact opposite effect of making housing more affordable.

Richard Denniss [00:17:46] And if there's a giant con that sits at the heart of all of this debate about housing affordability, we don't talk about phone affordability. We don't talk about affordability. We don't even talk about petrol affordability. We talk about the price. But no one wants to talk about the price of houses. Because if we ask the question, do you think house prices should go up or down, you're going to piss off a lot of people because two thirds of Australians either own or are paying off the house and in their head, they don't want the price of their house to fall, and the one third that can't afford that house want the price to fall. So if we said, well, we want to push down the price of houses to help people who currently don't own them, that would be an honest thing to say, but it would also enrage two thirds of the population. So we have this phoney debate about housing affordability, where you're not allowed to mention the price of the house. And of course, the way we reconcile that is we say, Oh, well, maybe if your incomes rose really fast, then you'd be able to afford a bigger house. Except we've got record low wage growth and there's no policies in place to increase wage growth. So, yeah, let's be clear, no one's actually planning on helping, but it's just they don't want to come out and say, we don't want to push gas prices down and we don't want to push your wages up. But I'd like to pretend I'm on your side. So let's all agree housing should be more affordable.

Matt Grudnoff [00:19:15] Even better, even better, if the government accidentally stumbled onto a policy that made housing more affordable. I guarantee that they would rush in policies to stop those houses from falling in price. Yeah. There is no government that wants housing to be more affordable. There's no government that wants to see housing prices. Unfortunately, the moment go down

Ebony Bennett [00:19:39] that does bring me actually to wages growth now that you've mentioned Richard. This budget was billed as a budget that had to address cost of living pressures. We've kind of talked about the price of petrol going up, but the big debate has really been about the fact that prices are rising, but that wouldn't be a problem if wages were also. Rising ahead of inflation, but that's not really happening, so what's happening with wages, Richard? And is there anything in this budget to help fix low wages growth?

Richard Denniss [00:20:11] No, there's nothing in the budget to fix low wages growth, except yet another forecast that they're about to pick up. And we talk a lot about cost of living pressures, but we don't talk much about benefit of working measures like the easiest way to improve people's

capacity to cope with the cost of living, i.e. buying stuff would be to boost the income they had to buy the stuff. But we've spent 20 years in Australia trying to push wage growth down, and we succeeded. Mission accomplished. Well, that sounds pretty. Lowest wage growth on record low productivity growth, low wage growth, no industrial disputation, everything. We've sort of, you know, conservatives have set out to achieve. They've got there. And now, like the dog that caught the car, they just wound up with a mouthful of muffler. It's like if only wages were growing, then consumers would spend more money in the shops. Yeah, exactly. And they'd be paying more tax and everything else. So. So yeah, we've flipped the cost of living. You know, we're talking a lot, understandably, about the price of petrol and the prices and stuff that got more expensive during COVID. But the government can't do anything to push down the world price of oil. The government can't do anything to improve the supply of silicon chips going into manufactured stuff in Korea and China, but it can do something about leakages here in Australia. And surprisingly, it's chosen not to allies.

Ebony Bennett [00:21:41] I know you work a lot in this space as well. We've heard a lot about this idea that, you know, when unemployment hits a certain low level that wages wages will grow. Is that what's happening?

Eliza Littleton [00:21:58] Well, I mean, they're predicting that it will grow right, and we saw some really optimistic forecasts in the budget and we always see optimistic forecasts around wage growth. But I think one of the really like the problems with this debate is even if the unemployment story, wages growth, it's kind of we saw record wage growth at, say, three percent unemployment. Well, this is like an artificial st like situation that we've created here, and it's not going to happen again. So if wage growth or normal wage growth requires a three percent unemployment rate, then we've got a broken system because that's not going to happen again and wages, real wages will continue to be stagnant and purchasing power of workers will continue to decline.

Matt Grudnoff [00:22:48] Yeah. And the the the unemployment rate that will suddenly spark wages growth keeps moving. I remember where it was in the low fives and then it was a number with the floor in front of it and then it was low 4s and now unemployment's four per cent. It's something with a three in front of any day. Now that anything is going to turn, there's going to be unemployment rate required for wages to start growing is whatever the unemployment rate is, minus what we currently have. So it's just a little bit lower than what we have. And then it's going to go nuts.

Richard Denniss [00:23:19] It's the car trip that never ends, you know, are we there yet over the next hill, yet over the next hill?

Eliza Littleton [00:23:25] Exactly. And even if we did see wage growth, say in a quarter, that's like one quarter of wage growth, like it's not going to make up for all the wage growth we've lost as a result of not having the right policies to encourage wage growth for the last like, you know, how many years

Richard Denniss [00:23:40] in case anyone thinks this is some sort of accident or oversight, what low wage growth means is high profit growth. All right, so it's not like everyone's losing out of this accidental low wage growth. So the wide share of GDP has been doing this and the profit share of GDP is doing this. So if you want to think of, you know, the pie charts, the cake analogy, the slice of national income going to profits, it's been rising steadily. Woops. Oh, not a mistake. How did that happen? How do we correct that? Let's do nothing to turn that around as quick as we can, and the wage has been falling. So yeah, it's no accident. We've we've changed the industrial relations system. We've changed the way the public sector pays its workers. We've changed all sorts of laws around the gig economy to reduce the bargaining power of workers. You know, we treat students coming here to study as cheap labour and then we're surprised that the impact that has on on average wages. It's no accident that we've done this and the consequence of low wage growth is high profit growth. But in Australia, it's impolite to mention that,

Ebony Bennett [00:24:54] yeah, I can say we've got nearly 700 people on the line with us. Just a reminder that you can ask questions of our panel by typing them into the Q&A box. I can see we've already got a dozen questions in there. Thank you so much for joining us today. And just a reminder, if you haven't already signed up to hear from the Australia Institute on our website at Australia Institute dot org today you. Our full budget analysis from our team of researchers and economists will be going out later today, so make sure you sign up on our website for that one. I've come to questions from the audience very soon, but I did just want to touch on a couple of other things and we might come back to them in the questions as well. But there's been a lot of talk about the cut to the fuel tax excise hotly that's been in response to these cost of living pressures. But how much is that going to help in the long term? I'm not sure who to address this one, too. He wants to tackle the fuel

Richard Denniss [00:25:56] fuel

Matt Grudnoff [00:25:58] so that they're spending \$3 billion by basically cutting the fuel excise in half by about twenty two cents a litre for six months. And you know, and they're doing that, obviously because petrol prices have risen. Now I would note that we keep hearing that the Ukrainian Russian war is to blame. But petrol prices were almost \$2 a litre before Russia invaded Ukraine so that they were already high coming out of the opening up after the pandemic. And is it good policy? Well, it's pretty crap policy, actually. Very bad policy. Why? Because it does nothing to make us less reliant on foreign oil. In fact, Australia is more reliant on foreign oil today than when the government came to power nine years ago. And instead of spending \$3 billion on fuel excise relief, imagine they spent that \$3 billion over the last nine years encouraging electric cars. Right now, we would have a large electric car market in Australia. We would also have a big second hand car market. You'd have five six seven eight year old second hand electric vehicles that people could buy. So it's not just expensive, like often the criticism of electric vehicle policy is all it just goes to rich people. But you would then have a second hand market that people could get into. And how easy is it to get relief from petrol prices if you can go out and buy an electric vehicle and never have to buy petrol again?

Richard Denniss [00:27:26] Yeah. And also let's for once and for all kill off the idea that that sort of fuel excise funds our roads. Because in the same budget where this government just slashed fuel excise by half, it promised to spend more money on roads. So it's always been crap. But at least can we just kill that off once and for all? I agree with everything, Matt said. But it's also important to keep in mind that all we hear on budget night is some of the new things. You don't hear much about the old things. One of the old things is in Australia, we have billions of dollars a year in subsidies for people that drive those enormous four-wheel drive utes around our city. So the top selling cars in Australia, literally the top selling most common family vehicles are those enormous twin cab, higher locks, Ford Ranger, Isuzu D-Max, all the things that tower over most people at the traffic lights. In Australia, we spend billions of dollars a year subsidising businesses to buy them. And in the UK, the top selling car, not the top selling electric car. The top selling car is the Tesla Model three. So we've spent years making our car fleet bigger and less fuel efficient. Australia is one of the only countries in the world to not have fuel efficiency. Engines for its cars. And here we are going, oh, no. Petrol's the what can we do about it? Well, we've made our society and our economy far more vulnerable to high petrol prices after years of deliberately dumb decision making.

Ebony Bennett [00:29:04] Hmm, that does seem to be a running theme on climate policy, at the very least. I'm going to go to questions from the audience now, and I'm just going to stick with the fuel tax excise at the moment. Kathleen Davies has asked about the consequences of having fuel excise to twenty two point one cents a litre and the concern about, yeah, polluting fossil fuel cars now being taxed less than clean electric vehicles. I wonder if Richard, I could come back to you on that one in terms of, yeah, the climate implications of this decision.

Richard Denniss [00:29:43] Oh, look, in the short term, the climate implications aren't going to be huge, but they are going to go in the wrong direction to the extent that high prices change our behaviour, make us question our troops, make us question our choice of next car. We're dampening that signal. Now, most people aren't going to buy or sell their car in the next six months, but a lot of people are starting to think, Wow, this old petrol thing, now's a good time to get out. We're actually quite deliberately trying to slow their enthusiasm from change away. So, yes, yet again, the so-called free marketeers, the so-called the so-called economic rationalist, rather than letting the market do what the market's doing, which is drive behaviour, whenever they don't like the market outcome, they rush in with our money to compensate. So fossil fuel subsidies. You know, conservatives never have a problem with those electric vehicle or renewable energy subsidies. All the sky is falling. So for all those people that carried on about how more people driving electric vehicles means there's no money for road taxes anymore. Well, you know what nonsense that we've just seen the same people who said electric vehicles were undermining our capacity to fund our roads, turn around and go, Oh, you want \$3 billion? Be a big dumb four wheel drive? Sure. Here you go. And let's be clear, the people who drive the biggest cars get the biggest benefit out of this excise reduction,

Ebony Bennett [00:31:17] and I've had a couple of questions. 17 allies of this one be for you about higher education. We know that universities did it really tough during the pandemic. Is there any relief in sight in the budget papers this year?

Eliza Littleton [00:31:35] Unfortunately, no. So actually, yes, as you mentioned, it's one of the hottest sectors in the university sector responded by cutting a lot of jobs. We actually did some research and we found out that around thirty five thousand jobs were lost from the sector in the 12 months leading up to May 2021. So huge implications for the sector. And yeah, the budget has added insult to injury for the sector, unfortunately. They've looked in real funding, a real funding cut of 3.4 percent over the forward estimates to higher education funding. And this is largely due to the legislated changes under the Job Ready Graduate Reform package, which basically reduced the amount the government is subsidising per student to teach per student. And yet this has really perverse outcomes for the quality of teaching and research coming out of out of universities. I'll just say one more thing about higher education funding. The new funding that exists in the budget for higher education is directed towards research, but it's directed towards incentivising research that has commercial value. So connecting it's kind of strengthening the bond between universities and the private sector at face value. This is, you know, not terrible, but we do like it does have implications for the integrity of research, for academic freedom and for making sure that other types of research that say doesn't have like direct like that. We can't see the direct value, what gets done. And this is unfortunately just the next policy in a long line of policies trying to force universities to produce research output that has commercial value.

Ebony Bennett [00:33:28] Hmm. Matt, the next question I've got is for you. It's from Susan Thomas. And she says, is there too much funding for future defence compared to basic services for people? Now she's also got a question about fossil fuels, but I'm going to set that aside to ask for later. So can you talk to me about defence spending in particular in this budget?

Matt Grudnoff [00:33:49] Yes, the defence was was apparently the big winner, particularly if you listen to the rhetoric of the government. Now we're talking about hundreds of billions dollars more for for for hardware, for big toys, for the military. They were talking about \$10 billion more for cyber security. They were talking about a massive expansion in the number of people in the armed forces. But if you look in the actual budget papers, there's almost this very, very little. Despite hundreds of billions of dollars in announcements over the next four years, it was less than \$2 billion a year. Be a great example. So the the the cyber security, they were talking about \$10 billion over the next 10 years, which you might think, well, you know, that's a billion dollars a year, except that over the next four years, the four years of that 10 years, we only get half a billion dollars. That's five percent of the funding is over the next four years. The rest of it is off somewhere else. And one of the problems with the military spending in this budget, apart from the fact that that seems to be the only focus, is that it's like so many things that this government does. It's a big announcement without any substance behind it.

Ebony Bennett [00:35:03] The next question that I've got is from Brendan Mahoney, who talks about the. Framing of that Texas fund, spending fiscal framing as being damaging. Can you, Richard, talk to us about how these budget approaches spending and getting people thinking more in terms of spending to reward good behaviours and taxes to discourage bad behaviours? I know that's a topic you've talked about in your book *Big The Role of the State in the Modern Economy*, which I can say

on the bookshelf behind you. Richard, can you just talk to us about about that? Because that kind of tackles that idea of, you know, big spending is good, but you know, you can't just spend it on anything.

Richard Denniss [00:35:50] Yeah. And thanks to whoever put the book on the bookshelf, thank you very much. Yeah. Well, it's interesting. I mean, let's start at the beginning. No, no, no, no, no. Not a peep out of Josh Frydenberg about living within our means any more. No, not a peep about burdening future generations if we don't deliver a balanced debt

Matt Grudnoff [00:36:09] and deficit disaster and

Richard Denniss [00:36:11] deficit disaster. Well, to be fair, that was Tony Abbott, you know, same same government. So, yeah, so big picture like there's much to celebrate here. The bizarre, baseless, uneconomic assertion that if you don't collect as much tax every year as you spend, bad things will happen. That's gone. Like, it's it's Josh. Frydenberg said he delivered a balanced budget three years ago, and he didn't. And now, in the next 10 years of forecasts, the Liberals won't. So step one, the idea that you need to collect taxes so you can afford to spend money. It's not true was never true, and the Coalition have now jettisoned it. Unconvinced. Well, keep in mind, the last time a US president delivered about a surplus budget was a guy called Bill Clinton, and the last UK prime minister to deliver one was Tony Blair. All right, so the rest of the world knows this strike is going to have this bizarre sort of belief that if we didn't have a budget surplus, bad things would happen. It's never been true. Taxes do play a very important role in our economy. However, taxes, yes, designed well. They discourage us from doing things. We want people to do less of excise on alcohol excise, on tobacco excise, on petrol and for a while, a tax on carbon. These are all good things. They directly change behaviour and over the medium and long term. Well, I'm sorry, and taxes also play a very important short term role in reducing income inequality, so they change our behaviour. They shift resources from people with a lot to people with the least. And over the medium and long term, if you want to have a big public sector, if you want to have big, publicly funded health and education and aged care and child care, then you need to collect a lot of tax. The biggest spending countries in the world are the biggest taxing economies in the world. That's no accident because you need to create room for those activities to take place. So tax is really important. It does lots of things. But yeah, we are finally free of the bizarre idea that if we don't collect enough taxes to exactly match what we spend, where will the money come from? Same place. It's come from forever. Same place it comes in every country around the world. The government can can borrow money whenever it wants on good terms.

Ebony Bennett [00:38:41] You know, the next question I've got, Matt is probably one for you, and it's one that a lot of people have upvoted. So I think it's kind of one of those economics things that maybe people just would like a hand peeking behind the curtain on what what why did we measure unemployment by working for one hour per week as the statistic that we base that overall all around? Can you just talk to us a little bit about that?

Matt Grudnoff [00:39:11] Yeah, sure. So if you work one hour a week, then you cannot employ. Why is that the case? Well, when they were coming up with the international standard of how to measure unemployment. So. So it's good to have similar or exactly the same measure of unemployment, so we can look at the U.S. unemployment rate. We can look at Australia's unemployment rate if you look at the UK unemployment, right, and we can compare that because they measuring the same thing well when they were doing this is back in the forties and 50s. So if you worked one out, chances are you were full time. All right. There wasn't that many jobs back then that were were very short hours even today. The ABS actually releases figures for people who are working. I think it's less than five hours a week. So. So counted as employed, but only working a few hours. And it's only actually a very tiny percentage, a very, very small fraction of the total amount of employed. So it doesn't it is not a lot of people that are in this category. There might be people who are working a few hours in a job, but they often have multiple. Jobs, and so therefore, the total amount of hours they're working is quite a bit. So it's not a big effect. But the other question is is if one hour of employment doesn't count as employed, how many hours would it have to be? And that's the other question that once you start thinking about it, should it be five hours to 10 hours? Should it only be full time employees? And once you kind of think about it like that? Well, they've got to kind of draw the line somewhere, and it's just that the international standard drew at it one hour.

Richard Denniss [00:40:36] I'm going to be more defensive about statisticians here. If you're working for an hour, if someone pays you for now is what you are employed. You are very much employed. You certainly aren't full time employee. You're very unlikely to be able to pay your rent or buy a house, even you. Maybe you can buy a house, but not pay the rent. Who knows? But if you work for one hour a week, you are employed, and if you are employed, you can't be unemployed. So the statistical definition is fine. The problem is the perverse way politicians and other people have used these statistics over time, and that's to suggest, well, if the unemployment rate is low, everyone must be fine. No, that's not true at all. There are people working full time who can't afford to buy a house or rent, one going to have to start reversing the order. So you see what I'm saying? So I don't. The problem isn't the way we define employment and unemployment. That's there are problems, but that's not the big problem. The problem is the way we're deliberately misled by people who should understand those statistics a lot better.

Matt Grudnoff [00:41:43] And by the way, the ABS totally puts out stats on underemployment. They totally put out some time ago that says, sorry, I'm doing the fighting. Not excited, but also I'm discouraged workers, workers who've given up looking for work. There is a whole raft of statistics that the Australian Bureau of Statistics puts out that the government knows about and could use, but they choose not to. They choose to use this unemployment stat at the moment makes them look very good, even if it's a deceptive number. And that's really just about that's not a problem with the measurement. That's a problem with just sort of focussing on one tiny thing and saying, Well, that's representative of everything that's good in the economy.

Ebony Bennett [00:42:27] Eliza, I want to come back to you on youth unemployment because I know you've done a little bit of work in that sector. Can you just talk to us about what that picture looks

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like? Because often Budget's focus, not so much on young people, and we've seen some measures here for apprenticeships and other things. But can you just give us a picture of what youth unemployment looks like or has looked like over the the past year?

Eliza Littleton [00:42:57] Yeah. So the pandemic has wreaked havoc for young workers. And when I say young, I'm talking about workers between the ages 15 and 24. I mean, outside of this category, absolutely as well. So the research that we've done has suggested that they were the hardest hit and they were disproportionately hit by job losses during the kind of multiple periods of the pandemic. And this is because they concentrated in industries that were really impacted there that were really impacted by the pandemic. So hospitality, retail, tourism, things like this, but they're also concentrated in casual jobs as well, and they're more likely to have held those casual jobs for less than 12 months. And the reason that's important is because one of the eligibility criteria for JobKeeper was that casual workers would only receive JobKeeper would be eligible to receive JobKeeper if they'd had their casual job for more than 12 months. So basically, there was very little protection for young workers over the pandemic, and it's revealed a lot of the fault lines that already exist. And let me just say before the pandemic, young people were doing it tough anyway. They're much more likely, as I said, to be represented in casual work and in industries with lots of with higher turnover. And this job insecurity has really not been addressed in this budget at all. So, yeah, basically, there's not a lot in the budget for young people. And I would say if we're talking about the long term, like the fact that there aren't, there's not more spending on transitioning our electricity grid towards renewable energy is one of the biggest problems that one of the biggest ways that the government has not addressed the welfare of young people today and into the future.

Ebony Bennett [00:44:58] Yeah, certainly that's a big one we haven't touched on yet. I might come back to climate in just a second, and we'll we'll get to that. But Richard, I wanted to ask you this question from. Erin Delisle, who says the media are talking up the issue of inflation, what is the risk of inflation from this budget and would it be due simply to government spending or how that spending is done within the real economy?

Richard Denniss [00:45:25] Yeah, no good question. So inflation refers to sustained increases in prices, and we measure prices through something called the CPI, the consumer price index. There's a hint in the name. It's an index of the prices we buy for consumer goods. So there's two main ways that, well, there's two main causes of inflation. There's there's the supply side and there's demand side causes. Now the supply side, we've seen all sorts of supply chains disrupted by COVID. And when things are rare, I think prawns at Christmastime. And that's a bad example is that the demand when when there is a cyclone or a flood that wipes out a crop, there's not much of the crop left. So people beat up the price of what's left. OK, so there's the big shortages across all sorts of global supply chains at the moment for everything from silicon chips to the timber we use in rooves in houses. So because of a shortage of physical ability to supply stuff, the price gets beat up and that's been happening and that's been causing inflation around the world. And here in Australia, we don't have high inflation, it's just higher than it's been. And then there's demand inflation. If come Christmas time, we'll rush out and think, Oh, it's Christmas and we're celebrating the birth of Jesus, and what better way to do that than by buying prawns if we all rush out and try and buy prawns at

the same time, the price goes up. So that's that's the demand side driving up price. So a shortage of supply can push up price. A surge in demand can push up prices. Now what's happened is we've got a bit of inflation at the moment that's being driven by the supply side shortages of stuff. And then the government's come along and said, Hey, can I give you all some money here? Have some money. I hear you're feeling a bit grieved at the moment, so go and spend some money. The very real risk that we're going to see some demand side, some demand pull inflation as it's called on top of the supply side disruptions. So if if the if the business press was doing its job seriously, they'd probably be shouting a lot louder. This government saying Is this really a good time to be shovelling cash on the high income earners who can well and truly afford to pay more petrol? Sure, you might want to give some support to low income earners are struggling, but do you really think now's a good time to shovel money on the high income earners? But because so many people in Australia want to see the government re-elected and they want to see big tax cuts that will come? You know, the usual criticism that you'd get of the government over its pretty expansionary, arguably quite reckless spending policies is quite muted. So, yeah, there is there is a real risk of inflation being driven by this budget, but everyone's pretending not to notice.

Ebony Bennett [00:48:32] Yeah. And Matt, just coming back to you on that one, I mean, we have talked a lot about the fact that the Australia Institute has been calling for a lot more big spending budgets in the past when the focus was on debt and deficit. Richards talked about the inflationary problems there, but in the past, during the pandemic, you talked about the importance of spending that delivers lasting benefits to the community. Are we seeing that type of spending in this year's budget?

Matt Grudnoff [00:49:00] Yeah, that's a great question. And the answer is no. So if you think back to the GFC, when we had a big spending and big spending budgets and some programmes to try and stimulate the economy, we got things like school halls. So if you've got a kid in primary school or high school, you've probably sat in an auditorium that was built from that money. Now the GFC is long gone. But those holes still remain unfortunately out of this pandemic and out of this budget. What we get is just cash being handed out, or it's given in ways that basically has no long term benefit. You can't point to something at the end, whereas we we could have had things where we built permanent things, which we made permanent changes that benefit us long into the future. Those school halls, those school libraries will benefit for decades to come long after the stimulus is no longer needed. Those benefits will be still there. Unfortunately, the way we've done the stimulus this time has been very transitory.

Ebony Bennett [00:49:59] Hmm. I want to come now to we've got a couple of questions in here about climate change. Richard Michael O'Halloran says. What is there in the. That will help us achieve net zero emissions by 2050 net zero. It's a bit like the Y0 budget measures.

Matt Grudnoff [00:50:18] We just say it will happen and it will happen.

Richard Denniss [00:50:20] Yeah. Now there's net zero for the climate in there. And again, that's no accident. And just can what can bring together the climate stuff and the allies has done that before about youth. Actually, I wrote a piece for the junkie on exactly these. How, you know, Morrison's really betting that young people are less likely to vote, they're less likely to enrol to vote, they're less likely to kind of pay close attention to budgets. So he's kind of betting he can ignore them. You know, now I hope everyone watching wants to prove him wrong. But he's betting that of all the groups to kind of go after young people like it because they disengaged and literally on enrol to vote in larger numbers. So, yeah, again, it's no accident that there's not much in there on climate change. The tiny little stuff about some buildings and microgrids to help renewables in regional Australia, that's fine and had already been announced. It's arena funding. So. So yeah, it's the words got mentioned because they didn't want to. They didn't want to give their opponents the easy shot. If you didn't even say climate change, they did say it, but they haven't done anything. And again, let's like not focus too much on the budget speech and think about what's in the budget institute. Research suggests there's \$11 billion a year in fossil fuel subsidies, 11 billion dollars a year in fossil fuel subsidies. Usually, you subsidise things you want more of. We are still exploring for gas fields and oil fields and coal deposit, not building new mines or wells. Exploring why, but in what world do we ever think that that will get sold? And the answer is a world that hasn't tackle climate change and hasn't transition. We're building a billion dollar, publicly funded gas fired power station in Karikari in New South Wales. You know, so the idea that we're kind of doing everything we can, what we're doing is actually subsidising the oil and gas industry, expanding fossil fuel exploration x, the other word that starts extraction and sales. And then, you know, we're using dodgy carbon credits, you know, to pretend that it's all good and we're going to get to net zero, you know, by pretending that, you know, we didn't chop down enough trees or something or other. So, yeah, so the budget talks have been about net zero, but it's actually subsidising an expansion of fossil fuels and it's hiding that expansion under promises that, you know, enormous amounts of carbon credits will be generated. Even though, as we've seen in recent weeks, you know, there's enormous integrity concerns with these dodgy credits.

Ebony Bennett [00:53:12] Absolutely. And people should check out the 7.30 report story on that. And the Australia Institute separately has some research from earlier this year and some more recent research concerning those integrity questions around carbon credits. Eliza, is there anything that you wanted to add? I know you helped write the report on fossil fuel subsidies. It is based on budget papers, but not necessarily this federal budget. But a lot of that increase in fossil fuel subsidies was driven by the federal government. Is that right?

Eliza Littleton [00:53:44] Absolutely. So a lot of states and territories actually spent less money subsidising the fossil fuel industry in the last budget than they did the budget before. But the federal government made up for all the difference and lack, I think, was it quadrupled their spending on fossil fuels between those two years of budget. So really a poor outcome for everyone. And this is not going to disappear any time soon because they baked in fifty five billion dollars of subsidies over the forward estimates as well. So yeah, this is not the last time you will see those fossil fuel subsidies in the budget. Yeah, plenty more to come.

Ebony Bennett [00:54:25] I'm sticking with you alive. Sarah Baker has a question here asking wouldn't legislating paid superannuation on maternity leave have been a better policy to close the structural economic gender pay gap? Could you speak to us a little bit about that one?

Eliza Littleton [00:54:42] Yeah, absolutely. If it definitely would have been a much better policy, particularly because the policy they did introduce was so poor. But yes, absolutely. Women definitely go backwards in terms of the superannuation that they're accumulating when they take time out of the workforce to look after children. So, yeah, making sure that women don't go backwards in terms of their superannuation during those time periods of time that they may. And outside of the labour force, we would do a lot to improve like the superannuation balance for women when they retire later in life. And at the moment, yeah, there's a huge gap gap between superannuation balances between men and women when they actually need to start using using that money.

Richard Denniss [00:55:29] I agree. Sorry. I agree. Exactly. Eliza said. And it's not nearly enough. Yeah, right. If women earn less than men when they're working full time, then they're contributing less to super every week and they're getting smaller tax concessions and support from the government every week. And sure, at the moment when when they take time off work, they go further backwards. And that's terrible. And of course, we should stop them going further backwards. But stopping them going further backwards doesn't actually ever get them up anywhere near the contributions that people who are earning higher incomes, working full time and getting much greater government contributions can. So yeah, absolutely. We need to stop women going further backwards when when they go off on paid parental leave, you bet we should. But stopping them going further backwards is not actually driving them up towards anything like parity.

Eliza Littleton [00:56:33] And he speaks to the point I was making earlier about treating these issues or these. These women's policies issues as separate things that are not connected when they absolutely are. And yet we need to address the issue in superannuation and the gender, the gender gap. We need to make sure that women are not concentrated in low wage industries in low wage, sorry in insecure jobs. Yeah. And make sure that the quality of employment is lifted for everyone.

Ebony Bennett [00:57:04] Yeah, I've got a couple of questions in here about the floods in North East, New South Wales and south east Queensland. And unfortunately, we don't have time to get into it. But I would just like to direct everyone to the Australia Institute's website and the research that we've done on creating a national climate disaster fund, including a levy on fossil fuel exports to help basically fund disaster recovery and mitigation and things like that. There's some really fantastic research on that there, and our thoughts go out to the people of Lismore, Byron and the rest of northern New South Wales and south east Queensland affected by the floods. Just some truly awful scenes after, you know, not that long since the last flood crisis, only a matter of days, if not a week or so. So just awful scenes there. And we do send our thoughts to everyone there, and we are going to have to wrap it up there. Thank you so much, everyone, for your fantastic questions. I'm sorry we didn't get to them all. If we didn't get to your question, please make sure you're subscribed on our

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Recorded live on 31/03/2022

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website to get the Australia Institute's full budget 2022 analysis later today. That's Australia Institute dot org dot AEW. Don't forget to sign up and subscribe to our Follow the Money podcast. You can find that wherever you normally listen to podcasts and our most recent couple of podcast episodes covered that brilliant fossil fuel subsidies report that Eliza helped co-author, as well as a bunch of other amazing issues and including some of our recent webinar guests as well. So please check that out if you can. Thank you so much for joining us today. Thank you to Richard, Eliza and Matt for your time and hopefully stay safe out there, everyone, and we'll see you next week for our fortnightly pole position with Guardians Katharine Murphy and Essential Media's Pete Lewis. Thanks very much, everyone. Stay safe out there and we'll see you next week.