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"Panel #3 Tax Is Good for the Economy"

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Ebony Bennett: We are going to kick off. Each panellist will have 5 minutes to make some remarks and then we'll have some discussion. And we'll start with Professor John Quiggin.

Professor John Quiggin: I suppose the lesson of this is don't speak last, so roughly speaking, what I planned to say, is what Patricia said, and I suppose if I'd read the program, I would have realised well before I prepared my slides that I should have picked something slightly different. So what I'm going to do instead is expand a little bit on all of those points and make the point, Oh no, wait for my slides. How do I get them?

Ebony Bennett: That's the one.

Professor John Quiggin: That one.

Ebony Bennett: There we go.

Professor John Quiggin: So, what we have in Australia, we're often described as a low tax country. And that's true, in part, because we're a small government country. But a lot of it is because we rely really heavily on means testing as a way of while delivering, means testing and a bunch of other things like, for example, the health insurance levy, which essentially collects no revenue but forces most high-income earners to take out private health insurance whether they want it or not, the superannuation guarantee levy – similarly. So, what we do is use a lot of state power to try to generate the same kind of results that other countries deliver.

Many other countries are more directly using income tax. Now, unlike some, I'm not wholly averse to this approach because there are in fact fundamental differences that justify this. And the basic thing is people live in households. And so, there's a tension between trying to equalise resources between households, which implies looking at people collectively and trying to get the incentives right, which means looking at people individually. And I think that's largely what's been discussed in Patricia’s talk, she tends more to focus than I would on the individual aspect and less on the equity aspect between households. But what we see nonetheless is that because this is only understood by a tiny proportion of people, mostly on the transfer side of the story we have a situation where governments are continually putting in these very high marginal tax rates and requires effective marginal tax rates on a huge amount of effort to try and reform these various benefits in ways that don't in ways that don't produce these effects, because we have this obsession with trying to keep our budget spending down, trying to use non budget measures of all kinds to deliver additive outcomes. And I'll just mention again, I guess, something like the appalling Housing Affordability Fund, a huge amount of motivation there was launched to try and hide the fact that we're spending public money by using the government's borrowing power to gin up something that looked like it wasn't. So we've got this problem. That's one part of the problem.

The other feature, I think the other asymmetry that's huge here, it depends on which benefit you're looking at, a huge asymmetry with respect to compliance. And so, what we have is a situation where we've got a bunch of a bunch of tax and transfer measures, and in the case of tax, we rely on self-assessment. The government says, well, we know Australians are good, honest people. You put in your tax return, tell us what you spent, we'll run it through the computer and if something if the computer pops up a red flag, we take a look. And just in case there are some people tempted to cheat, we'll have a small chance of getting a spot check on people.
By contrast, unemployment benefit, it's turn up every week with a detailed list of all the jobs you applied for, which until very recently we knew perfectly well you couldn't possibly get that. We wanted to make sure that you want to make sure that you're on your toes. And indeed, this is next. This, plus work for the dole is called mutual obligation. When that phrase was first floated back in the days of work nation, the mutual obligation was, we're going to give you the benefit, but if we offer you a job, you have to take it. If we offer you the job and you don't take it, you get thrown off benefit. And of course, that became entirely hypothetical for most of the last 25 years.

So, I think the point I draw is what we need to do is pay a lot of attention to this issue of effective marginal tax rates. We should be looking at top marginal tax rates of the order of $0.60 on the dollar, just like they used to be, that's about the kind of rate where if it does finally start to drop off at the top. Use that revenue, among other things, to smooth out these clawback rates of benefits applying to low- and middle-income earners. And develop a system where we don't treat stuff that happens on the expenditure side of the accounting as something that needs to be rigidly policed while trusting people to deliver on the revenue side.

Ebony Bennett: Thanks again.

Associate Professor Elise Klein: Thanks. Thanks, John. And thanks to the Australia Institute for having us and bringing us all together to talk about these really important issues. I also want to acknowledge the stolen and unceded land in which we're meeting on the mighty Ngambri and the Ngunnawal and pay my respects to elders past, present and emerging.

I'm going to talk about the redistribution, I guess, side of tax and why that's important for the economy and particularly how redistribution matters, because there's a lot of free riding going on in the economy. What do I mean by free riding? So firstly, I think it's important to sort of reflect on what Barbara Peacock and Andrew Leigh have already talked about, the free riding regarding the specifically the super-rich and their companies here and elsewhere, and to think about the tax avoidance of course, of large corporations, but of course individuals. And you know, in this space of tax, I think it's important to think about income, but also to think about wealth also. But the big part of free riding that I wanted to reflect on in my 5 minutes is particularly when we talk about the economy, there's always a focus on the sphere of production. You know, even when we talk about revenue, you think about exchange employment and these kinds of the formal economy. But I want to talk about the other half, and that's the sphere of social reproduction and how so important the work of care and unpaid work is in holding the economy together.

You know, just to be really crass, you know, the work of raising children. There's no next generation of taxpayers if there's no kids. But, you know, I mean, it goes way beyond just childcare. It's the unpaid work of elders, it's the unpaid work of community and of country and the important ecological care that gets done. And so, you know, and this is critically important for the sort of real economy, the space of production of revenue, as much as it is for sort of being feeling connected, feeling happy, feeling part of community, if you like.

So, a lot of this unpaid work is undertaken by women, and that's not a natural thing. That's because of gendered norms that regulate that work is done. And it's of course, a lot of it is unpaid. And if it's not unpaid, then it's dramatically undervalued and it's treated as if it's free. So, the space of tax, I think, is very, very important to think about this free riding that the economy does on the social reproductive space, because, of course, you know, this is the space of looking at redistributing funds for social programs to support the important work of this care sphere, but also thinking about reforming tax measures because tax measures are not neutral of course. As we've seen with the stage three tax cuts, they're highly gendered, they're also highly racialised.

But also, you know, things like the super tax concessions and things like this. But thinking about also needing to reform tax is important because we need to think about revenue. In terms of the other part of the sort of tax and transfer system, the social security system, the transfer space. And that's particularly important because what has been weaponised against folks who are receiving social security is of course, this idea of the dole bludger and blah, blah, blah and all these horrible ideas. But actually, the reality is that there's a huge amount of unpaid work being done by folks that are receiving social security payments, huge amounts of social of unpaid work. And just to give you an example, the work that I've been involved in, following on from the amazing work of June Oscar is how there's no one else in this country that does more unpaid care work than First Nations women. I mean, we see that reflected in the ABS statistics, but because their work is a lot of this unpaid care work, sorry, the unpaid work is treated as if it's free. However, a lot of these women rely on the social security system, but they are treated as if they are not doing work. And this is a space of mutual obligations. We've seen extraordinary programs such as CDP, parents Next, compulsory income management, which are all extremely punitive and are punishing people that are doing the unpaid care work.

Acknowledging the free riding that's going on is also about changing this mindset in the Social Security system and providing unconditional support, getting rid of conditionalities. And my time is up, as well is, of course, raising the rate, but also, I think moving towards a basic income. The last thing, if I can say in just 30 seconds, is that the other part of the free riding that I think it's important that we talk about, if we're talking about a forward facing progressive country, is this the space of free riding on Aboriginal land. We acknowledge country, but that country is incredibly economically important to the economy that we have, yet it was stolen. And so, the question of reparations I think is very, very important and so too is the work of ecological debt and repaying the ecological debt that's owed to the global south in Australia but also elsewhere. That's loss and damage. But that's also why beyond that, also, I'll stop there. Thank you.

Ebony Bennett: Thank you very much, Elise.

Dr Mark Zirnsak: So, I'll also start by acknowledging the traditional custodians on the land on which we meet and pay my respects to the elders past, present and emerging.

Now the topic for this here is, is tax good for the economy? I guess I'm going to say, well, tax is good for society, provided that it is collected fairly and it is spent well for the benefit of society. And that's working on the presumption that the economy should be there to serve society. So, I'm in complete agreement with the opening panel where there was a discussion about how values should be driving our discussion around tax. I was very interested that the speakers didn't actually talk about which values should drive that. And I'm going to suggest to you one of the paradoxes I certainly struggle with is that as a species, we're capable of great love, compassion, empathy. Yet we seem to design economic systems designed to inflict the maximum amount of suffering and hardship, at least for part of us. To use a mangled phrase of Dostoevsky's, it's almost like we love humanity, which is just it's just people we can't stand.

Now, with that taxation, I'm going to suggest to you from the tax justice that we see taxation serving four purposes. We call them the 4 R's. So, the one you've had most of today is revenue, at least just mentioned redistribution. And in that I would also stress the need to address inequality. I think Thomas Piketty's work is still very relevant in this space. A lot of latest data from the UN says that since 2020, two thirds of the wealth that has been generated globally has gone to the top 1% of wealthy people. So, we have a massive increasing problem with inequality and taxation is one of the ways to address that. Repricing is the third R, and that is effectively sending signals out into the community about things you might want them to do versus things you might not want them to do. I know, you know, you'll get right wingers saying well, this is social engineering, but they don't seem to have a problem with diesel fuel discount for miners. Somehow it doesn't seem to affect them with that sort of repricing, whereas they'd have a great problem with us putting a tax on pollution to drive effective action on climate change. The fourth R is representation, and this is a really important one. So, it's the notion that by paying tax you are invested in government, you are invested in our society, but also as a government receiving tax, you are dependent on your citizens. So, you are creating a reciprocity of relationship and representation through taxation. And that's an important role to play.

Overall, I'm going to suggest to you, taxation creates a better society. On the revenue side, you've heard a lot today about services. The other one I did want to pick up on is a really important function of taxation that hasn't been picked up today is law enforcement and regulators, and I am yet to run into a regulator or a law enforcement agency that has enough resources to deal with the problems they are dealing with from the really severe online child sexual abuse. The Australian

Federal Police do not have the resources to deal with the scale of that problem through to as part of another role, I fulfil lots of work with horticultural workers getting ripped off and wage theft and you find the Fair Work Ombudsman doesn't have that space.

I'm going to lead into my final section now is how do we actually get around tax reform? And this is where I'm going to disagree with some of the earlier speakers. I think Monique Ryan had it right about there's a lack of trust in government. And the way that plays out is if you, and the Australia Institute just put out some data showing that overall most people would prefer to have a more Nordic type tax system where you tax more and get more services rather than a US type based system where you get taxed less and you've got more money to spend on yourself. But then we've got the paradox. Why do Australians then not vote for parties who offer them tax cuts rather than voting for people offering them more services? And the 2019 election could not have been more stark in that space. And I'm going to suggest to you we've got a problem with this, there's a declining trust in the democratic system per say. You can look at the work by Democracy 2025, and what they find is that if you're doing well, you have a trust in democracy. If you're not doing well, then your trust in democracy is lower. And what that leads to is you were happy to pay more tax if you're going to get more services, but you have no trust that the government will actually deliver those services to you. I'm going to suggest to you the solution to this is actually to try and find more ways of mass participation in our democratic system in meaningful ways for people in lower incomes.

And when I try and promote this among my civil society colleagues, I'm afraid I don't get a lot of pick up. I think there's a kind of that sort of middle class people can best represent the interests of people on below medium level incomes. A couple of examples of where this might be possible: what if we actually had co-design as the default position for government devising policies. You know, you've got a problem with social security fraud. Maybe you go to the people who need to use the system and co-design it with them to both address the fraud and deal with the, you know, not have unintended consequences like robo debt, as an example. The other one. Just really quickly, I have been speaking a lot to people in Seattle. And if you want to, we can have a bit of a chat about democracy vouchers and the way that they actually have empowered people in Seattle to have a more meaningful say in their democracy.

Ebony Bennett: Thank you.

David Sligar: My name is David Sligar. A tax is good for the economy because it enables society to pool and allocate resources in a way that is often, in many domains, more efficient than what can be done in the private sector. That's clearly true in a range of public goods, such as a clean environment, but also in a range of social services, in particular social insurance and in other areas. In focusing on efficiency, I'm pivoting away from the usual frame of tax and welfare, which usually is focussed on fairness and redistribution. And that's certainly not because that's a valid, there's actually a lot of crossover between the efficiency arguments and the case for equality, egalitarianism. But there is a strong economic rationale for redistribution. The diminishing marginal utility of money, for example, a dollar obviously matters far more to a very poor person than to a very rich person. And even on quite, you can't measure that precisely, but even on quite conservative assumptions that that typically gets thrown around in the economics literature, that would justify a much larger amount of redistribution than we have. But bracketing that out for a moment, I think I think it's useful to focus on something that is more clearly efficiency based. I think that's useful because it's efficiency, which is what the tax cutters are arguing. That's their frame of reference. On their own terms. Their arguments are at best seriously overstated and I would say usually wrong. A lot of the issue is there is that.

We ignore, we ignore the fact the tax pays for things, usually pays for things that one way or another have to be done. For example. Health care. For example. Disability care, for example. Aged care. Roads. Transport. Public Transport. And so they have to be provided no matter what. And there's a fixation on the impost of the taxation, the dead weight loss of the taxation. But what gets overlooked is that there would be an impulse in the private sector if they were privately provided or provided through some sort of PPP arrangement. And often that winds up being less efficient.

I'll give you an area that John has actually written a lot about. Arguing an argument he's been making for a long time. Is privatise roads or semi privatised roads, pays or privatised rail. Instead of charging a tax, potentially a congestion price and building a road. We effectively get private finance to build the road that's less efficient. Private finance faces higher interest rates, higher risk. And then we effectively give them a monopoly, a monopoly infrastructure provider, a monopoly on charging their own de facto tax, which is a road toll, and that there is an idea that congestion pricing, that that would be a very dangerous, dramatic reform. But, you know, Sydney already has one of the highest road user charges in the world, and that's due to the tolls. And it actually has a perverse effect, which is it often it has it's almost like a congestion subsidy in that it's priced disproportionately on new roads, which are the roads that are built to bust congestion. So the new highways that are built under PPP’s that will often be very underutilised. There’s an MA outside my house in Sydney and it’s a beautiful piece of road, multi, multi-million billion. And people don't use it. People use the existing because the toll is very high. A similar example is the Sydney Rail and Sydney Airport Rail which has I think it's $15 user charge. So instead of using what is designed to reduce congestion, they simply use, you know, the, the existing road in a lot of the case and a lot of case, my time is up and I haven't actually gone to what I most wanted to talk about. But you know, they you but it's largely been covered by John and Patricia, and Richard, thank you.

Ebony Bennett: Thank you so much. And so I had a couple of follow up questions. I was really interested in a couple of the ideas raised about the asymmetry. I guess in terms of, John, what you were talking about, like making people go to 20 job interviews versus just ending my tax return and we'll do a random sample, but actually made me think of a question, a conversation we had yesterday, Mark, which was about that you were part of the, you know, stakeholders that government consulted with around the multinational taxes and closing some of those loopholes and things like that. And you would have signed a particular piece of paper that PricewaterhouseCoopers would also have signed about not leaking that information or sharing it with anyone. What do you think would have happened to you had to use that for profit?

Dr Mark Zirnsak: Well, at that stage, Treasury's confidentially agreements had a line at the bottom that said, should you breach, they shall be prosecuted under the Crimes Act. It was as straightforward as that. And I can’t imagine for Mr. Collins a more egregious breach of that confidentiality agreement. I just do not understand why that just wasn't a straight up like, what would you need to do to get prosecuted by the Crimes Act if that breach didn't constitute enough to get you for them to follow through on that threat? How empty was that threat then? But I do think there was and you know, this probably does go to the vice we possibly have is that there might be one law for the very, very wealthy and another law for a civil society representative who might have found a more heavy handed approach if I breached that.

Ebony Bennett: And John, just if you can comment a little bit on building on what David was talking about, the inefficiency of kind of looking at how much we spend on regulating those on benefits and enforcement and all of those kinds of things. How much of a loss of efficiency is that?

Professor John Quiggin: Well, certainly, I mean, the classic case is Robodebt, and it's striking that the government waited for a royal commission finding actual criminal wrongdoing before punishing those responsible because they'd already lost the government billions of dollars. I mean. On the day that I got in, I knew that these people had screwed up massively. Even if even if every bit of it was innocent, they had an utterly incompetent job wasting vast amounts of public money as well, of course, as causing gigantic suffering. And so what we see is, is I mean, of course, a lot of this is driven by a certain kind of focus group that can be weaponised, I guess is the word against against recipients of benefits. But we haven't seen any effort to understand how these things how the asymmetry in the system works. Certainly, Labor hasn't done anything about it, particularly in the recent in the recent iteration of the government has been very much on this view of getting the budget down. I want say something about 2019, which really is the huge amount of randomness in politics. If Bill Shorten had had a slightly better television manner, if Labor had had actually talked about what they were going to spend the money on, instead of talking about how the big end of town was bad and Scott Morrison was evil, we might have seen 2% more and we'd had a totally different narrative about what the Australian public thinks about.

Ebony Bennett: Yeah, that would have been free cancer treatment. I can't imagine.

Professor John Quiggin: But I remember right at the end of it Tanya Plibersek said, Oh, nobody cared about our marvellous, dental scheme. And I mean I would say as much of as much political junkies anywhere in the country. I said what dental scheme? I saw all the ads about how bad Scott Morrison was. I saw nothing about how good it will be for your teeth.

Ebony Bennett: Elise you were kind of talking I guess about the, the, the moral case for taxation. And I kind of think of, you know, the Australia Institute has a Nordic policy centre. We often look to the Nordic countries for a bit of policy inspiration and in one of the Nordic countries, 'skatt', is the word for taxation is also the word means treasure. It's often what spouses will call their significant other as a term of endearment. So I can imagine those kinds of things give you a different perspective on things, but they do tend to use taxation in that redistribute redistributive sense and it seems to deliver for the whole community, and they're all in that kind of project together. So how important is that kind of the moral aspect of taxation in terms of the role that a plays in society?

Associate Professor Elise Klein: I mean, very important. I think, you know, even just your comments just now about sort of the power of, you know, the big end of town and the sort of political power and the kind of trust that people feel like their voice might matter, being able to speak, being able to matter in society, these are sort of underpinned by sort of the economic inequalities that we're that we're that we're living. But, you know, in terms of, I guess them, I mean, yeah, it's a moral case for taxation, but it is about making sure that, you know, people have, you know, a rightful share in in the sort of economy that everyone contributes.

There was a marvellous question up there earlier around, you know, everyone contributes value and often I think this sort of neo liberal, but it was it was moving before this sort of neo liberal to to, to not appreciating everybody's contribution in society. I have a, a brother-in-law who used to play AFL very, very, very good. Apparently if you do it well, and I just was always so puzzled by, you know, he was amazing at kicking a ball. They called him Silky Skills or something and the amount of money that he was paid because, you know, he could kick a ball really, really well like awesome. But you know, the value where value comes from is something we all generate, it is the 100,000 people that fill the MCG and yet, you know, that sort of captured in a particular economic model that's given to the few and this is why you know James Ferguson, for example, you know he talks about the rightful share that we all contribute value, you know, all about taxes, pay for the public roads and etc., etc.. So, you know, they really should be shame about the kind of, you know, capturing that amount of money at the top. There should be so much shame. We shouldn't be valorising these people that thinking that they're amazing and wow, you're amazing that you've done that. This should be shame that there's people that are suffering and yet, you know, people going buying ridiculous amounts of houses and watches and things. So, you know, I think this sort of moral case is very, very important. I think we need to think about what we value and how we all contribute to value and and how we all contribute and really reject these these tired narratives that tell us otherwise.

Ebony Bennett: David I'm not sure what the point was that you didn't get to, but this is your Dorothy Dix a chance to make that point.

David Sligar: I'm glad you clarified. I'm not sure what the point was, and I was more about saying.

Ebony Bennett: That you didn't get to.

David Sligar: Actually, that's a that's a good way of leading into it. I wanted to talk about the role of welfare tax and welfare as providing what the welfare state economist Nicholas Spark calls a piggy bank. We tend to think of welfare as redistribution, wealth, the poor. But it also implies a sort of almost like a financial service, almost like insurance in a way where we have a whole bunch of but we can't get it in the private market, have a whole bunch of risks. We could get sick, we could get disability, we could outlive our savings in retirement. So, we need a financial service to smooth out. People don't like lumps and bumps in their living standards. People like people like what is expected. People like to smooth that out. And so, it's not just from people who have high lifetime incomes to lower lifetime incomes. For a given income, a person will have a whole different, whole different sort of needs and costs of children, childcare and what or what a universal listing system which we're talking about, the Nordics really does compared to the Australian system, is not boot people off once they get to a fairly well, increasingly low income.

Ebony Bennett: And do you think perhaps some of our services that used to be more universal and I guess I'm thinking here of health care and private education in particular, would the standard for public be better if wealthier people who have opted out or going into the private sector a bit more? If everyone was invested in that original universal system, we'd get more equitable outcomes overall. There might be better services.

David Sligar: Yeah, I think so. And there's a lot of political science literature arguing about that. You tend to build up more solidarity if everyone's out together because I mean, I mean, you can, you can see why Centrelink is just so bad, just so bad to deal with. And the more the more sort of becomes a residual for very poor people, something of only last resort, the more people will just, you know, not have engagement with it. I think that's actually a there's a classic anecdote of Joe Hockey who was claiming I think, the baby bonus and only realised because his first dealing with Centrelink in his life that the bureaucracy for that was quite convoluted and he said this is an outrage, got to make this one form and that's an anecdote. But I think it really I think it's true, yeah.

Ebony Bennett: Did anyone read that news this week about how long though? The waiting is two and the number of missed calls for Centrelink. That's yeah, always seems like a design feature to repel people from it. We haven't had a huge amount of time for questions from the audience, so I'm actually going to ask if you guys have some questions if you want to start lining up and if I can ask you please to put it as a question and not also a speech to go with, it would really appreciate it because we haven't had a huge amount of time. And I know people have lots of amazing questions in the audience that we'd like to get to as many as possible. Our first question over here.

Audience Question: Yes. The biggest increase in inequality has been in wealth. We haven't talked about wealth taxes, but going back to the stage three tax cuts, it seems like, yes, the government is saying we keep our promises, so it's hard to change those at the moment. The Buffett tax. Warren Buffett, famously one of the world's richest people, famously said, “my secretary pays more in tax than I do as an average on their income.” He suggested everybody above a certain amount, say $120 or $180,000 here should pay a minimum of 30% on their income, regardless of how many deductions their accountants can creatively come up with. Any comments on that?

Ebony Bennett: John, can I throw it to you on that one wealth tax?

Professor John Quiggin: Yeah. Well, so we're actually talking a lot about world taxes. I mean, there's some easy things like inheritance taxes, which of course we had got rid of. I could, I think, more correctly, treat them as income in the hands of the recipient in the family gifts. I think coming back to what Andrew was saying in his talk, the big effort here needs to be global to get at the big concentration as well. You can’t, I think, do much at a national level until you've until you've closed down tax havens, made it clear that if you shift your wealth to country X, they not going to welcome it in the manner of the manner of, for example, Ireland and other places gaming the system. You need to get the whole OECD moving into it and a willingness to punish small countries that that try and dodge it. So I don't think it's I don't think it's a simple issue, but I think we are moving that way. I think what we've seen as the various agents of this process, ratings agencies, big consulting companies, have discredited themselves, is a willingness to say, yes, okay, we actually don't think billionaires are doing this very much good. And if a few of them a few of them are, stop doing what they're doing, it's it's not going to be a high price to pay for taking a fair bit of this money and using it for something better.

Ebony Bennett: Yeah.

Audience Question: So look, there was the report that came out from Joseph Stiglitz and Gabriel Zuckerman this week, so that one of the proposals around was a 2% wealth tax. Part of that is the concern about that. I have a concern about trying to tax income, I mean, particularly to start thinking about the US and you might people might recall the sort of scandal with Elon Musk. He's sort of put out on a pole, should I choose to pay tax or not, because in the US you could keep parking the income, you can sort of you leave it in the company and then you draw money out of the company or you spend from within the company and you never actually claim any income. So you don't actually pay any personal income tax ever as your discretion and things like that. Yeah. So, so effectively, you know, so there is certainly a suggestion that there'd be a wealth tax as a way of dealing with that sort of problem.

Associate Professor Elise Klein: So just one, just thinking about the reflection of the tax and transfer system I think is important to say that folks that are saving, particularly job keeper, jobseeker and other payments do kind of have a wealth tax. It's the assets test. So the sort of inequality reflected in the system here I think is important. So yes, wealth tax.

Ebony Bennett: Yeah. David.

David Sligar: Yeah, I mean the the wealth, the wealth tax, A lot of people say this will destroy investment. We saw that with Bernie Sanders proposed wealth tax. That was it. That started at around 1% for people over $30 million with over $30 million and went to 8% for people worth over $33 million. I think it was the effective rate of wealth tax on people in the like. I know a lot about the age pension is it's 7.8% to be precise, and that is that applies to a large share of just middle Australian people or even an entity. It's only excludes a house. So you get really punished for finance any cash and it's not at all good at tackling wealth inequality because it leaves out the biggest example of wealth for middle class people. It's a house.

Ebony Bennett: Next question. Thank you.

Audience Question: Hello.

Audience Question: Josie Lee from Oxfam Australia. I was actually also going to ask about wealth taxes, slightly nuanced. The report that Mark mentioned that came out this week also talked about the need for a 25% minimum corporate tax rate with no loopholes. Currently the government's just implemented a 15% tax rate. But there are loopholes in that. So I wonder if you can comment on that proposal and whether you think that's worthwhile, but also welcome your thoughts on any other big opportunities to tackle the inequality problem, which is huge in Australia and globally.

Dr Mark Zirnsak: I'm happy to speak to that. Just look, I've been on the Treasury consultation group around the pillar one, pillar two from the OECD. So that process that Andrew Leigh talked about looked there was a high chance that would have never been a global agreement. So 15% was only because there was a change in US administration. The Biden administration came in and was able to get all the other governments to agree. 15% was as high as the US wanted to take it higher and they couldn't get agreement. You weren't going to get Ireland to come up higher. So 25%? Yes, absolutely would be great. But the problem would be you wouldn't get a global agreement. So I guess you're stuck with a global agreement 15% better than no agreement at all.

Ebony Bennett: John.

Professor John Quiggin: I think I mean, I agree. What I'd say is we're seeing I think the pressure on the hold outs increasing all the time that Ireland's managed to get away with it. But as the EU, for example, moves away from unanimity, the question of if Ireland does not agree well too bad we'll just take 10% off you.

Ebony Bennett: Yeah.

Professor John Quiggin: So I think but that's a very long process. They always it has been grinding through base erosion through tax havens for many years. So I think there's in national stuff there aren't simple answers for. But stage three tax cuts are right there. Easy money to grab there.

Ebony Bennett: Next question up.

Audience Question: Yeah hi. I'd just like to ask for any comments on the taxation of economic rents. I know Australia has a huge amount of mineral wealth and land value in the country, and yet a strange reluctance to tax economic rents.

Ebony Bennett: Who would like to tackle that one first?

Professor John Quiggin: What the tax all economists love and everyone else writes is land tax and that's the ACT has managed it by the fortunate coincidence that it's both a state and local government. But we've seen among the few things I liked about Perrottet was he made some attempt to get away from things like stamp duty towards land tax, of course, then sabotaged by Labor. He in turn sabotaged Queensland's attempts to act to say you can't score points by being a multi-state landholder. So what we see, I guess that's probably the biggest single range is the imputed rent on owner occupied land. That's a huge amount of revenue there in untaxed, replaced by inequitable transfer duties and of course effective taxes that pay on renters. Yeah, I guess it would be nice actually for the Greens talking about renters to really come down hard on land tax and and make that point the family of owner-occupied housing exemption from land tax.

Associate Professor Elise Klein: I mean, when I hear that question. Like I said, I mean, I was running out of time, But, you know, this question of stolen land and this question of what is owed. We talk a lot about the sovereign wealth, like the missed opportunity of creating like a sovereign wealth fund, which we all which, you know, it's like a commons resource that we all have. We all should be, you know, enjoying, etc., etc.. But the issue in, you know, we're a liberal democracy, but we're also settler colony. And what that means is that, you know, questions of access to land but also, you know, profits of land, you know, have very interesting and important questions attached to it that as a nation, we don't really engage with meaningfully at all. And so, you know, the referendum has taken, you know, and will continue to take up a really important part of reflection for us. But the question of who owns that wealth and what is owed for this, the taking of that wealth is a very, very critical question for us to resolve as a nation. That question of reparations and, you know, people sort of get uncomfortable about it. But if we are serious about going beyond the sort of status quo in what, Peter, you was talking about earlier, we have to think about these questions. And these are these are central questions of revenue and taxation, if you ask me. But, you know, we can't shy away from them. So to me, when I hear your question, I think about reparations and thinking about in those kind of taxations and how we could use those kinds of taxes to start to contribute back to what is owed.

Dr Mark Zirnsak: The comment I was going to make is, look, this is an example of where the wealthy can skew political decisions to their benefit. If you talk to Labor people, you would find there's enough Labor people who would say when they tried to introduce the mining super profits tax, the mining industry was able to take out a Prime Minister. Now, whether that's true or not, it doesn't really matter. Their belief is that is the outcome. So I wouldn't think there's going to be, you know, there are enough shellshocked Labor people still left to think it's not a wise idea to have a big fight with the minerals industry.

Ebony Bennett: David Did you want to try that one?

David Sligar: I think there will come a time and it's not quite yet, but when Labor thinks it has to have another bite of the cherry. Some of those taxes that appeared to in one way or another be rejected. Because if you rule them all out, we're pretty much of the dead.

Ebony Bennett: Can't do anything at future elections.

David Sligar: And like the problem with the mining tax is it polls quite strongly to this day opposed quite strongly for tax sort of 67% if I recall correctly. But if there was no planning at all at the Henry Review that the Henry Review came out with no sort of strategy, no sort of selling the government, I mean, they, they wanted their budget to look better. They just dropped this as a miracle cure for the budget.

Ebony Bennett: Yeah. And you have to think there might be some community ill will building towards the fossil fuel industry in particular, which is raking in massive profits, windfall profits. John.

Professor John Quiggin: The Queensland State Government, I mean, they did it. They grabbed, jacked, jacked up the rate, grabbed a heap of money while the price of coal was high.

Ebony Bennett: And in fact I think Cameron Dick is the treasurer there, made an announcement today saying pulled in more than they were expecting.

Professor John Quiggin: So while prices were high, they grabbed a huge amount of money. Of course, we had the usual ludicrous threats that we're going to walk away from $300 a tonne coal because the Queensland Government is going to take ten bucks more out of that. But it's so important not to give up that that that walk through. And of course yeah, just we single House majority rule isn't a landslide benefit, but certainly it is not good there. So it certainly was the attempt to run up a campaign against it was a failure so it can be done.

Professor John Quiggin: Yeah.

David Sligar: Some good news just quickly, if you can't make the case that mostly foreign owned companies depleting Australian Australians resources, that they shouldn't pay for that. Okay, what what tax cuts can you about it?

Ebony Bennett: Yeah, good point. Our next question up here, please.

Audience Question: We've talked to a lot today about how tax is a little bit broken in this country on the revenue and expenditure side. In 2006, Nobel Prize winning economist James Tobin proposed a transaction tax, an automated banking transaction tax to replace. Personal income tax. So we got the same sort of GDP per person in Australia as they have in America. Could not something like that replace personal income tax in Australia as well?

Professor John Quiggin: It's like a tobacco tax. The optimal revenue is zero. The point of driving taxes is not to raise lots of money. And it can't in the sense because at Wednesday's high enough rate, the transactions it's taxing go away. So time tax is a great idea to As Tobin said I agree stress and in the in the gears of the global financial system stop vast sums of money sloshing around. But once they stop sloshing around that the revenue that's left over there will still be some will be useful. But the last thing we want is, for example, with what have we gambling taxes that the government has originally created these taxes to stop people spending the family's money on gambling. And as they got addicted to play themselves and encouraged that like our TV screens to be filled with ads for this poison. As I said, it's a great idea but it's not a revenue it's not a centrally revenue idea.

Ebony Bennett: Yeah, just a word on gambling ads separately. I'm not sure if anyone still watches free to air, but I do sometimes because I get paralysed by choice on the streaming things and it is deeply shocking to me. Every single ad is a gambling ad. It was really confronting. Yeah. Next question up here. Thank you.

Audience Question: Hi. I would like to ask about looking at tax in terms of the real economy. So obviously we're in a high inflationary environment at the moment. Usually the main question about whether the government should be spending more or less. I always thought of that in terms of inflation. You know, government spends more increase demand, increase inflation. What do we think about having taxation that is related to inflation. So higher in inflationary periods and lower in lower inflationary periods and other ways that taxation should be centred around the real economy. Like, you know, if you spend more on strengthening supply chains, you're less likely to get high inflation so you can spend more. So spending actually decreases inflation in that case.

Ebony Bennett: Yeah. John, do you wanna take that one first?

Professor John Quiggin: Well I suppose. I mean, I'll take this space as a question about macro fiscal policy that, that we had this long period when the central bank was supposed to be able to control everything. We've discovered that essentially, well, they're still pretty good at it, not even very good now at crushing things. They used to be really good at that. I haven't really succeeded in that. But both in 2008 and in the GFC and the pandemic, we had to spend heaps of money and having a large tax base makes it easier. More generally, taxes stabilising and that's a major thing. We haven't mentioned that because we have a regressive tax system, if the economy runs a bit hotter, a lot of that goes into increased taxes and conversely the tax welfare system acts to stabilize, the economy. So the fact that the consequences of these massive shocks haven't been as bad as they were in some respects in previous recessions is in part because we have a larger we have a larger tax system. Of course, that's unless you do what the Europeans did and respond to a crisis with austerity, which is this destroyed in my view, is that the effectiveness of the tax stabilisation for a decade or more after GFC.

Ebony Bennett: The new governor of the Reserve Bank, I believe this week made some comments that basically acknowledging the fact that interest rate rises are a bit of a blunt instrument and the I'm not going to explain this well, sorry, I'm not an economist, but the Australia Institute has done a lot of work in the past year looking at the role of, for example, corporate profits in driving inflation, when a lot of the narrative in the media and in politics was that it was wages that were pushing up inflation. And of course, that's all on the back of, as you said, supply chain issues really being a lot of the source of the problem as well initially. Do you think we're at a better place in understanding what is driving inflation at the moment than we were maybe 12 months ago?

Professor John Quiggin: Yeah, I guess I would say at least the wage push story has lost its it has lost its voice. I really don't think it actually is profits as a driver. Yeah. What's happened is we've had big stimulus. We need it. That has to go somewhere and where it's gone is into increased profits numerically. And that's I suppose, I mean come into the stage 3 tax cuts in the promos. What I'd say is, well the government also promised that we would have higher living standards. And for the vast majority of workers, that simply isn't true. Say, and so maybe if they paid more attention to keeping that promise and less to the promises that night to high income earners, we would be better off. But yeah, I think what we've seen really with the inflation, what we've seen is the Reserve Bank is still working on this theory and I really theory where demand flows through wages into inflation. We really haven't they really haven't worked out what to do with the situation where we have the inflation, but wages are actually holding it back because of course, wage increases haven't kept up.

Ebony Bennett: Yep. Does anyone else want to comment on that? Or we can go to the next question over here. Thank you.

Audience Question: We hear a lot about Australia becoming a renewable energy superpower. How do you think this will change our tax revenue mix in the future and do you think we're doing enough or we will do enough to kind of consolidate that into our revenues and not miss another mining tax opportunity?

Ebony Bennett: Mark, do you want to take that one first?

Dr Mark Zirnsak: Not my area.

Dr Mark Zirnsak: I'll have a go. I mean, I think. I think I mean, there's a bit of. Yeah. We probably we're going to get we don't get that much out of out of coal. Yeah. Everything's a huge, huge number in the in GDP. But when you look at something more relevant, even national accounts, net national income is not very big because most of the most as ours proceeds either gross income to foreign owners or a handful of rich people, or else for the purchase of equipment used to dig the stuff up, which also comes from overseas. So. So we we still do get got Queensland for example we get seven 8 billion a year and I heavily got a bit more as a bonus. It's still not a huge amount. We'll get some of that back ahead of lithium and other critical minerals that probably yeah, we just have to have to live with. We'll probably get the benefits primarily in the market economy from lots of jobs, lots created in these sectors more than in mining and lots of export income from electricity that we'll be able to see in hydrogen. So we won't, I think, see it flowing in an obvious way into the into the accounts. But I think it will still be great for us.

Associate Professor Elise Klein: I just wanted to say also that this transition, this question of redistribution matters more than ever, because just because we are moving hopefully into a green economy doesn't mean questions of inequality don't continue to exist. And so, you know, thinking about the way in which the tax system needs to uphold the values of redistribution are so critically important. Otherwise, you know, I think we've already seen the kind of test run of what we know Australia, but also the global situation will look like through COVID and the kind of, you know, the way in which people sort of talk about the vaccine apartheid and how people know we had the technology, we had the sort of vaccine, but yet because we didn't think about redistribution, because we didn't think about inequality, you know, huge populations of people were just completely wiped off the earth with COVID, you know, a lot of people of colour in America. You had folks across Africa, you had folks across India. You know, and I think we have to be very, very careful with the climate crisis because, you know, just because we are moving in towards, you know, green economies and green, the taxation plays a very, very important role in redistribution and thinking about inequality going forward.

Ebony Bennett: And I was just going to add that I think, to this kind of a strategic element for Australia to in the critical minerals, for example, aren't necessarily everywhere. It's going to be big demand for it. And thinking about, you know, Australia as a middle power and what we can do on the international stage in terms of control of that and the implications for that for Australia internationally, a really interesting to consider as well. We've got time for one last question over here. Thank you so much.

Audience Question: This more or less a follow up question about indirect taxation taxes like the Tobin tax. Given that, um, income tax has an inherent problem in that the higher income earners have access to devices like negative gearing, like trusts like superannuation, which the average worker doesn't. Wouldn't a move to more indirect tax and start solving that problem and reduce the burden on income taxes? And could you please explain bit further why something like a Tobin tax is a bad tax judgement?

Professor John Quiggin: No, it's not a bad tax. As I say, it's like tobacco tax. Like if we had a carbon tax, a carbon tax would be, it's taxing something bad, namely massive international flows of capital in order to reduce it. So it's know if we had a carbon tax would reduce carbon emissions to zero and the tobacco tax which reduced smoking to zero and a Tobin tax, which reduced or reduced international capital flows from a thousand times trade flows to the amount needed to finance trade and long term investment, that will be good, but the end result would be is zero essentially on the bottom line.

Look at Australia's problems. The things you mentioned are all within any government can fix all those things in a federal government with. We all can do it. Sadly or not, John Howard, when he brought the GST and tied up so tightly that there is zero possibility of raising the rate of GST because you get every single state government in line. And even if in some sense they will agree in principle when they came to say, well, we've always said Western Australia says yeah, we'll go for 12.5 the case, here's our bet on what we want. It would never happen. So as the Australian situation is, we have to look at income tax. It's where the money is.

Ebony Bennett: We're going to wrap it up there, so please give a big round of applause to our panel. Thank you so much.