

“Thou shalt not” to an economy of exclusion and inequality

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I would like to acknowledge the traditional custodians of the land on which we meet today and pay my respects to their elders past and present.

Just as the commandment “Thou shalt not kill” sets a clear limit in order to safeguard the value of human life, today we also have to say, “thou shalt not” to an economy of exclusion and inequality. Such an economy kills.ⁱ

Pope Francis’ statement is not one merely for theological or academic contemplation. It is in effect Pope Francis’ call to establish a new benchmark for our economy, one where exclusion and inequality are no longer a natural and accepted consequence of its operation.

There can be no doubt that our modern global economy has created unprecedented economic growth and lifted billions of people out of poverty.

The number of people living in extreme poverty globally has reduced from 41.91% in 1981 to 10.67% in 2013ⁱⁱ.

Global GDPⁱⁱⁱ has grown almost 9 fold since 1980 and by 2022 is expected to be around \$US103,000 billion. Emerging and developing countries will account for 44% of global GDP in 2022 up from 24% in 1980.

Since 1980 Australia's GDP has grown from \$US163 billion reaching \$US1,390 billion in 2017. Two of Asia's fastest growing economies China and India have seen exceptional GDP growth over this same period.

China's GDP is now almost 40 times larger than in 1980 reaching a staggering \$US11,940 billion while India's GDP has increased 13 fold hitting \$2,440 billion in 2017.

Today, these two countries are global economic powerhouses, and have helped Australia achieve an unprecedented period of economic growth.

While Australia's fortunes have waned slightly post the Global Financial Crisis, our economy continues to grow.

On 6 December 2017 the Treasurer, Scott Morrison released the National Accounts for the September quarter 2017^{iv}. In his release, the Treasurer stated:

Today's national accounts is another encouraging set of numbers, reinforcing an economic strategy that is based on driving growth through increased investment to secure better days ahead.

The September quarter created more than 100,000 jobs. That's more than 1,000 jobs every day. So far this year we have experienced the strongest jobs growth in forty years, with four out of five jobs being full time.

The Treasurer also noted that the September quarter saw increased economic growth to 2.8 per cent through the year, which places Australia towards the top of the major advanced economies, with profits, or the gross operating surplus, also rising in the quarter by 1.2 per cent, delivering through the year growth of 16.7 per cent.

The Treasurer rightly points to these economic indicators as proof positive that the Australian economy is doing well.

Our latest national economic statistics might be comforting for the government but they hide the lived reality of:

- The three million Australians, including more than 730,000 children, living in poverty^v ;

- The more than 700 000^{vi} people unable to find suitable work;
- The 160 000^{vii} long-term unemployed; and
- The 1.1 million people looking to increase their hours of work in order to improve their financial wellbeing^{viii}

Despite the positive economic numbers, our economy is leaving too many people behind. The reality is that our economy, and the underpinning ideology which supports it, is not adequately addressing the unnecessary hardship suffered by many Australians.

Our current economic policy settings, which gives primacy to markets and competition, is increasing inequality in Australia.

We are becoming a nation divided, with the spoils of economic growth becoming ever more concentrated in the hands of those already with wealth. In its latest briefing paper, *Growing Gulf Between Work and Wealth*^{ix}, Oxfam Australia's CEO Dr Helen Szoke said this:

“Over the decade since the Global Financial Crisis, the wealth of Australian billionaires has increased by almost 140 per cent. Yet over the same time, the average wages of ordinary Australians have increased by just 36 per cent and average household wealth grew by 12 per cent.

Sadly, rather than acknowledging the limitations of our economy and working to address them, many seek to demonise those that the economy leaves behind.

Failing to correct our current economic and social policy settings will only further entrench intergenerational disadvantage in Australia. Ignoring them altogether is both morally and economically fraught.

Today the concepts of “merit” and “fair go” can longer be regarded as universal Australian values, because for too many young Australians their future prosperity is dependent on the wealth of their parents^x. Unless this is addressed, we will see an ever increasing level of inequality in Australia, consigning those families in poverty to intergenerational disadvantage simply because they were born in the wrong postcode.

We are not all born equal. Circumstances, not of our own making, will factor heavily in the opportunity and quality of life we lead. As a society blessed with riches we have witnessed the rapid advances in technology, education and medicine giving hope and opportunity to people, who only decades earlier, might have been forgotten or ignored by everyone other than their family and friends. Activism, addressing issues of social

inequality such as gender pay, disability employment and recognition of our first people has created a better and more inclusive society. While much more needs to be done, there is a ready acceptance by most Australians that policies which discriminate against a person based on gender, race, disability or religion are wrong.

However, when it comes to economic policies that favour one class or group of people ahead of another we seem less concerned. Economic inequality, whether deliberate or as a consequence of the operation of the market, seems somehow okay. While we might acknowledge the moral hazards of discrimination, we temper our concern for fear that it might interfere too much with how the economy works. It appears that we are all for fairness and equality as long as it does not impact too heavily on the economic “bottom line”.

That said governments have recognised that power imbalances exist in our market-based economy, and have enacted legislative protections in areas such the labour market. However, such laws only provide minimum safeguards.

Our legislators seem reticent to tackle the economic policies which create or entrench economic inequality. How is it that:

- We allow investors to leave units vacant in the Docklands while young people struggle to access the housing market in Melbourne;
- We force the employees of charities to bear the risk of government policies of marketization and competition in the social services sector through the casualisation of their employment;
- We require students to carry the burden debt for undertaking tertiary studies while allowing multinational companies construct their financial affairs to pay little or no tax in Australia; or
- We permit the government to provide businesses tax relief while implementing cuts to welfare payments and supports.

We have given legislators a free pass when it comes to economic policies which discriminate against those without means. It is that free pass which creates systemic inequality in Australia and which needs to be addressed as a matter of urgency.

Inequality was a hot issue in 2017 and I dare say it will be again in the next federal election.

In July 2017 speaking at the Melbourne Institute Opposition leader, Bill Shorten^{xi} said this:

We need a new focus on the biggest threat to our health as an economy and our cohesion as a society: inequality.

In doing so, Shorten marked out his party's agenda to arrest inequality in all its forms, but with a particular emphasis on addressing inequality which stems from economic policies which give primacy to those with wealth at the expense of those without.

The Government would have none of this talk of inequality, with Treasurer Scott Morrison^{xii} accusing Mr Bill Shorten of "*producing an economic program based on the narrow lens of envy*"

In his speech to the Australian Industry Group in Adelaide^{xiii} Treasurer Morrison backed his argument with the following points:

- Between 2011 and 2014, the Gini coefficient for household disposable income decreased from 0.311 to 0.299;
- the HILDA survey has shown relatively little change in household income inequality between the endpoint of 2001 and 2014;
- analysis released in 2015 showed while income inequality has risen in most OECD countries over the past three decades, in Australia it

had increased by substantially less than many comparable OECD countries; and

- the poorest 20 per cent of households, on average, receive cash transfers and social services benefits worth more than eight times what they pay in taxes.

Morrison ended his speech with a now all too familiar government catch cry, “grow our economy and ensure that all Australians get a fair go”.

There are two clear propositions underpinning Treasurer Morrison’s position: first Australia does not have an inequality problem; and second, if there is an issue with inequality then we can rely on the neoliberal formula and trickledown economics of the past 40 years to deliver everyone the prosperity they seek.

Pope Francis has a different view to that of the Treasurer about our current economic paradigm and stated:

... some people continue to defend trickle-down theories which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world. This opinion, which has never been confirmed by the facts, expresses a crude and naïve trust in the goodness of those wielding economic power

and in the sacralized workings of the prevailing economic system.

Meanwhile, the excluded are still waiting.^{xiv}

To deny the existence of economic inequality is to deny the lived experience of millions of Australians who struggle each day to put food on the table, and provide their families with safe and secure housing.

To state that the poorest 20 per cent of households, on average, receive cash transfers and social services benefits worth more than eight times what they pay in taxes, is to traverse a well-worn and offensive path that we are a society of lifters and leaners. It seems that our poor, our vulnerable, our sick and our aged have a place in our society and it is at the bottom of the pile. Their value is not measured in terms of human dignity and social contribution but in terms financial cost, to be supported only if we can afford to do so.

So why does addressing inequality matter? Besides our moral obligation, there are sound political and economic benefits in doing so.

Institutions such as the UN, IMF and OECD have examined this question carefully and have concluded that inequality can be a serious threat to social and political stability as well as economic growth. The issue of

political stability is one, which Australia should consider carefully in light of the experience in the United States of America.

Journalist James Walsh^{xv} writing for The Guardian examined why American voters were turning to Bernie Sanders in the US presidential primaries.

Walsh cites a deep vein of concern for the current state of American politics but also white-hot anger about the inequities of the USA's economic and political systems and the inability of generations of leaders to affect any kind of meaningful change.

Moisés Naím a contributing editor at *The Atlantic* and a fellow at the Carnegie Endowment for International Peace recently wrote^{xvi}

The conventional wisdom is that, in many places across the developed world, members of the middle class are railing against a stagnation or even decline in their standards of living. According to this view, a toxic mix of globalization, immigration, automation, inequality, nationalism, and racism can fuel the frustrations that encourage voters to punish "establishment" ideas and politicians.

While Naím goes on to argue that prosperity does not necessarily buy greater political stability, he does highlight the implications of a political and

economic system that fails to deliver improved living standards for its citizens.

Declining living standards is a challenge for our government today. The Australian's Editorial^{xvii} on 6 January 2018 said this:

The household incomes of average Australians have fallen 1.6 per cent in the year to September, after taking into account inflation, interest and taxes. This represents a sustained fall in living standards not matched since the 1990-91 recession. In short, wages growth has not kept up with increased costs, especially in the energy, health and housing sectors, while any modest boost to incomes is often absorbed by bracket creep. The impact is being felt most in middle Australia, among people who are being squeezed and often struggle to pay their bills

Inequality and poverty have social, political and economic consequences, which our Parliament would be unwise to ignore.

The causes of poverty and economic inequality in Australia are complex. The 2015 longitudinal study *Dropping Off the Edge*^{xviii} by Catholic Social Services Australia and Jesuit Social Services found that low household income is a central factor in shaping life opportunities for individuals and

their families. While not a surprising finding in itself, the correlation between income adequacy and disadvantage is so strong that it warrants closer attention.

In August 2017, the University of NSW's Social Policy Research Centre (SPRC) released its report *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians*^{xix}. The report, developed in partnership with CSSA, ACOSS and United Voice, measured the basic costs to achieve a minimally adequate standard of living – a level below which no one should be allowed to fall.

The research found that the welfare payment system is failing and the settings for the minimum wage are beginning to fray. Those in the welfare system find themselves between \$47 and \$126 per week below the minimum budget standard. Low paid households on the minimum wage fared only slightly better. A family with two children on the minimum wage was some \$88 per week below the minimum budget standard.

The inadequacy of income for low-income households is both real and ever growing. The latest ABS data on Household Income and Wealth^{xx} showed that the share of household income of the lowest three quintiles combined was less than the highest quintile. Further the aggregate share of

household net worth for the highest quintile is 62.5% which is almost double that of the combined net worth of all other households. Interestingly, the net wealth of households in the highest quintile has grown from 59% in 2003/4 to 62.5% in 2015/16 and yet over the same period all other quintiles have declined. Even if we accept that economic inequality in Australia is only growing slightly; is it economically prudent and morally acceptable that the top 20% of Australian households own more than 60% of Australia's wealth?

While economic inequality may rail against our sense of fairness it has an economic impact which if left unaddressed, could undermine our economy to the detriment of all. The IMF has found that income inequality has adverse effects on economic growth and sustainability. Analysis published by the IMF^{xxi} in 2015 found that if the share of income of the richest 20 per cent increases, GDP growth actually declines over the medium term.

As economist Joseph Stiglitz once said '*an economic system that only delivers for the very top is a failed economic system*'^{xxii}.

The most compelling question, which must be asked, is this – if economic inequality is morally wrong, politically and economically damaging why does it exist? The short answer is that we have allowed it.

And why have we allowed it? My sense is that up until the GFC most Australians were served well by the neo-liberal economic construct. However, our market-based capitalist system, post GFC in particular, has failed to improve living standards for the middle-class all the while continuing to deliver for those with wealth. The impacts of economic inequality is now being felt by people other than the poor and this group is beginning to question the fairness of the system.

We can address this decline and keep the benefits of Australia's market-based capitalist system. However, it will require us to revisit the underlying philosophy of our current economic policy settings, neo-liberalism.

Neo-liberalism was the "sugar hit" that our faltering global and national economy needed in the late 1970s and early 1980s. Introduced in Australia under the Hawke-Keating governments and embraced by all subsequent governments, neoliberalism has reshaped Australia socially, culturally and economically.

The application of neo-liberalism transformed the focus of society and the state towards improving economic efficiency. The market thus became the ideal to which education, health and welfare services were encouraged to conform in order to ensure national economic survival.^{xxiii}

At its most basic neoliberalism is about redefining the relationship between the individual and the state. The policy consequence of this paradigm is one which is focussed on reducing government expenditure, cutting taxes, promoting deregulation and privatisation and the state withdrawing from human services, or at least its delivery.

Addressing inequality requires curbing the excesses of neoliberalism. There is a need for political courage to address the limitations of our current economic policies and the harm they are doing to our society.

In October 2017, CSSA launched an Occasional paper titled “*An Economy that Works for All*”. In his opening remarks, Emeritus Professor John Warhurst said this:

CSSA has ventured deliberately into the government kitchen where policies are made and has not been afraid to feel the heat. This paper and today’s launch is another one of those occasions.

The paper makes several recommendations, to enliven the principles outlined in the Bishops’ 2017-18 Social Justice Statement “*Everyone’s Business – Developing an Inclusive and Sustainable Economy*”.

Key amongst these recommendations is a call to build a new national accord between government, civil society and business working together

for our economic common good. A focus on the common good need not be contrary to the neoliberal ideal of individual interest. They can be held in healthy tension. To give purpose to this tension and harness the benefits of it however, we must shift the issues affecting the poor and disadvantaged from the fringes of our economic policy thinking to the centre.

Thus, an accord would articulate the responsibilities of government, civil society and business in building a flourishing and just society with particular attention to the poor and disadvantaged. The first priority of the accord is to examine government finances, how they are constructed, how income is collected and revenue is distributed. The accord must also consider the interrelationship between the three groups in the delivery of services and more critically the provision of adequate income especially for those in need.

Revenue raised through the tax system must not be squandered on activities or policies that simply serve to entrench the status quo or enrich those with wealth. Instead, revenue should be used to enhance the wellbeing of society and those services that support that goal. Priority must be given to ensuring that those who need support through the transfer system receive the income and services they need to live with dignity

Determining the level of pensions or welfare payments, whether through income support such as Newstart or Family Tax Benefit payments, should not be left to governments. CSSA has called on the government to establish an independent commission to develop evidence-based benchmarks to ensure that these payments are adequate to enable people to participate fully in our society and live with dignity.

For those in work, especially those on low incomes we must give priority to recalibrating our industrial relations framework to address growing casualisation and insecure employment. This is an increasing problem for the social services sector driven primarily by government policy of marketising services such as aged care and disability.

While casual employment has a role in our modern economy, its growing hold on the labour market brings with it heightened job insecurity, which in turn negatively impacts economic activity. Creating an American-style working poor, is unacceptable both morally and economically.

The Business community must not be so burdened with taxes and regulation as to undermine its capacity to grow and create secure and meaningful employment. In return, they must recognise government investment in the rule of law, social and capital infrastructure that enables

them to trade with certainty and security. Businesses must operate on the principle that 'if you trade here, you pay here', refraining from practices that shift proceeds overseas to limit their tax contribution in Australia.

Businesses and regulatory institutions such as ASIC should be encouraged to work together in developing new performance metrics that promote "patient capital" to encourage CEOs and their Boards to invest for the medium to long-term.

Finally, it is essential that we challenge the current orthodoxy regarding membership of boards of key state institutions, particularly economic institutions such as the Reserve Bank of Australia to ensure that the voices of those impacted by their decisions are considered and understood.

Conclusion

I am confident that the various measures and directions I have outlined, properly implemented, will have a positive impact on the economy and the society it serves. However, like any change, it will be difficult. It will be especially difficult for those who have benefitted most from the current system. To you I say be patient, what might be lost in the short-term will be repaid over time through improved economic activity and growth.

We have an opportunity to make our economy stronger, fairer and more inclusive. This will require a new way of thinking and a new way of working, where we give primacy to the common good. This is not a job for governments alone; it is a job for the society as whole.

Success will be achieved when we hear the voices of those the economy ignores, heal those that the economy has discarded and give hope to those on the margins so that they too can flourish in a society and economy which gives them life with dignity.

ⁱ Pope Francis (2013), *Evangelii Gaudium*, n 53

ⁱⁱ World Bank, World Development Indicators, Share of the population living in extreme poverty, 2016

ⁱⁱⁱ IMF, World Economic Outlook (2017), DataMapper, accessed 4 January 2018

^{iv} The Hon. Scott Morrison MP, National Accounts - September Quarter 2017, Media Statement, 6 December 2017

^v Australian Council of Social Services (ACOSS) (2016), *Poverty in Australia 2016*, Sydney, ACOSS and SPRC, p. 8.

^{vi} ABS, 62020 Labour Force, Australia November 2017, November 2017

^{vii} ABS, 6291.0.55.001 Labour Force, Australia, Detailed - Electronic Delivery, Table 14b Unemployed persons by Duration of job search and Sex - Trend, Seasonally adjusted, and Original, 21 Dec 2017

^{viii} ABS, 6202.0 - Labour Force, Australia, November 2017, November 2017

^{ix} Dr Helen Szoke, *Australia's inequality crisis: Oxfam paper*, Media Release, 22 January 2018

^x Mendolia and P Siminski (2015), *New Estimates of Intergenerational Mobility in Australia*, IZA DP no 9394.

^{xi} The Hon Bill Shorten MP, *Tackling Inequality: A Labor Mission* - Melbourne Institute - Friday, 21 July 2017

^{xii} Malcolm Farr, Treasurer in savage strike at 'politics of envy' ahead of Bill Shorten's inequality speech, *new.com* 27 July 2017

^{xiii} The Hon Scott Morrison MP, *Guaranteeing the essentials – a foundation for fairness'*, Address to the Australian Industry Group, Adelaide 27 July 2017

^{xiv} Pope Francis (2013), *Apostolic Exhortation Evangelii Gaudium*, n. 54.

^{xv} James Walsh, *The Guardian* 13 February 2016, www.theguardian.com/us-news accessed 8 July 2016

^{xvi} Moisés Naím, *The Atlantic* (on-line) *The Uprising of the Global Middle Class*, 25 August 2017

^{xvii} *The Australian* (on-line), *The living standard challenge*, 6 January 2018

^{xviii} Tony Vinson, Margot Rawsthorne, Adrian Beavis, Matthew Ericson (2015), *Dropping off the edge 2015: Persistent communal disadvantage in Australia*, Melbourne, Jesuit Social Services and Catholic Social Services Australia.

^{xix} Saunders, P., & Bedford, M. (2017). *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians: Summary Report*. Sydney: Social Policy Research Centre, UNSW Sydney.

^{xx} ABS 6523 Household Income and Wealth, Australia, 2015-16, (Table 1.1 Household Income and Income Distribution, 8 December 2017

^{xxi} Era Dabla-Norris et al. (2015), Causes and Consequences of Income Inequality: A Global Perspective, IMF Staff Discussion Note SDN/15/13.

^{xxii} Joseph Stiglitz (2014), 'The Price of Inequality: How Today's Divided Society Endangers Our Future', Pontifical Academy of Social Sciences, Acta 19, Vatican City.

^{xxiii} Mark Beeson and Ann Firth, 'Neoliberalism as a political rationality: Australian public policy since the 1980s', Journal of Sociology Vol 34, November 1998, p. 221.