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Submission by Em Prof R M Douglas AO to the income tax enquiry.

I am a retired public health academic and for 10 of the past 15 years I was, the founding Chair and still remain a member of the Board of Australia21. This is an independent, non-profit organisation, whose core business is multidisciplinary research and enquiry on issues of strategic importance to Australia in the 21st-century.

In that context I chaired a high level Roundtable of 35 experts, that was held in Parliament House Canberra in January 2014 on the question "What should we do about growing inequality in Australia?" I co-authored the report of that event, which was published jointly by Australia21, The Australia Institute and The Australian National University with Prof Sharon Friel, Dr Richard Denniss and Dr David Morawetz.

An electronic copy of that report is found at

<http://www.australia21.org.au/wp-content/uploads/2014/06/Final-InequalityinAustraliaRepor-2.pdf>.

The report advocates 10 ways to advance a fairer Australia (listed on the back cover of the report) and contains specific comments by a number of the participants, including some of distinguished economists (eg former Governor of the Reserve Bank Em Prof Bob Gregory), NGO CEO's, social activists, epidemiologists and parliamentarians.

The group concluded that in recent decades the benefits of strong economic growth have flowed disproportionately to the rich. There is a growing gulf between those in the top range and those in the lower ranges of wealth and income distribution. Over the last decade the richest 10% have enjoyed almost 50% of the growth in incomes and the richest 1% have received 22% of the gains. There is clear evidence that a continuation of these trends will be counter-productive both to the well-being of Australian society and to the structure of the economy and that some of this trend is a consequence of an inequitable tax system. .

Our report also draws attention as does the Government discussion document to the fact that by comparison with our peers in the developed world, Australia is a very low taxing country and that as a percentage of GDP, the Australian tax take is about 6% below the OECD average and at least 14% below countries like Austria, Finland, France, Norway, Italy, Belgium, Sweden and Denmark.

One of the key recommendations of the roundtable was the urgent need to increase the fairness and adequacy of government revenue raising through taxation reforms. I refer you particularly to page 41 of the report where Prof Gregory urged action on superannuation and negative gearing. Not only are governments foregoing enormous revenue in these two areas, but they are contributing to growing inequality and to problems with affordable housing.

The government discussion paper is an exceedingly valuable document but **I wish to challenge a fundamental assumption which appears early in the executive summary, namely that we need to keep the economy growing to safeguard our way of life.** I submit that we must put that widely held assumption under very close scrutiny. A growing global population and a growing economy per

head of population is a formula for environmental disaster and we are already in Australia living beyond the sustainable means of our planet to support 7 billion people at our standard of living. In restructuring the taxation system, we need as a nation urgently to consider the design of a no growth economy for affluent countries like ours while preserving our national tradition of equity and egalitarianism.

I do not accept either the desirability of further lowering the Australian tax base. On the contrary, I would argue that taxes should increase to enable the nation to serve the nation's needs in education, health, welfare environmental protection and defence

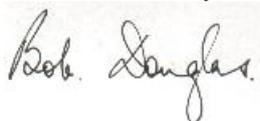
I am delighted that the government is intent on promoting a national conversation on this matter and am confident that the board of Australia21 is deeply committed to supporting such a conversation. But the conversation must extend beyond the bounds of current economic thinking. It must take into consideration not only what is happening in the global economy, but what is happening to the environment, to the climate and to health and well-being nor only of Australians but of the world community.

In summary I wish to urge the following actions.

1. As part of the tax conversation, engage the community in a realistic discussion of the social, environmental and economic uncertainties that lie ahead and in the need for radically new thinking about the role of the economy to match the changing times. The conversation must include the feasibility or otherwise of continuing economic growth, the environment, equity and the kind of future that is possible for our children and theirs.
2. Publicly accept the need and the practical feasibility of substantially increasing government revenues and in the process, make sure of a redistribution of net wealth to the lower 80 percent of the wealth and income spectrum.
3. Pay urgent attention to closing the tax loopholes in self managed superannuation for those over the age of 60 and negative gearing as a means both of raising revenue and diminishing inequality.

I would be pleased to elaborate on these matters in person

Yours sincerely



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The 68 page report "Advance Australia Fair? What to do about growing inequality in Australia". Report following a roundtable held in a Parliament house Canberra in January 2014 by Bob Douglas, Sharon Friel, Richard Denniss and David Morawetz can be downloaded from <http://www.australia21.org.au/wp-content/uploads/2014/06/Final-InequalityinAustraliaRepor-2.pdf>