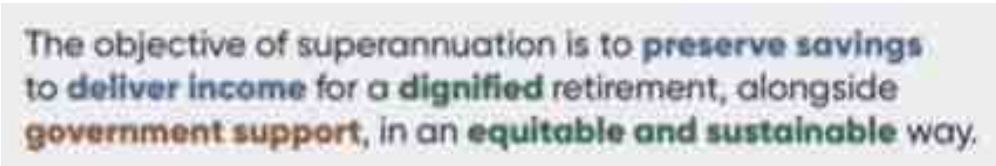


Director  
Superannuation Insurance and Governance Unit  
The Treasury

*Legislating the objective of superannuation*

... Some comments

The proposed objective:



The objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way.

*Legislating the objective of superannuation:  
Consultation paper, 20 February 2023,  
Treasury, p.9*

The focus here is on Consultation question #2:

“Does the proposed objective meet your understanding of the objective of the superannuation system in Australia?”

In a word: No:

*Since this definition was formulated Australian society has evolved. Especially as we have moved away from the traditional Australian model of times past, further away from a ‘Scandinavian’ (larger social safety net) model towards an ‘American’ (smaller social safety net) model, for many Australians superannuation accounts have become an important way to try to develop family/personal safety nets.*

Parenthetically, the Government’s recent proposal to double the tax rate on earnings of superannuation accounts over \$3 million implicitly *assumes* the objective of superannuation (above), which is disingenuous to say the least. This said, the proposed objective points to the difficulty of critically analysing concepts and definitions that have been handed down, so to speak, in the rush of modern work, looming deadlines.

Be this as it may, as the proposed tax increase is based on the proposed objective, the proposed tax increase also is taken into account in the comments below.

41 Importantly, there is no intention here to ignore, to underestimate or to undervalue the  
42 pain of so many in this period of change in the structure of the employment regime,  
43 exacerbated by the pandemic and other factors.  
44

45 Moving on, in my undergraduate economic studies one of the points made was that if  
46 one wanted to evaluate an economic argument, one should look first to its assumptions.  
47

48 I believe there are (at least) four basic assumptions implied in the proposed objective of  
49 (and changes to) superannuation:  
50

51 1. Superannuation accounts concern individuals alone and no others for whom an  
52 individual might have a duty of care, an obligation or sense of responsibility, and,  
53

54 2 the social safety net that existed in, say, the 1970s exists today, and,  
55

56 3. there has been no inflation, i.e., the purchasing power of a dollar has remained  
57 constant, and,  
58

59 4. everyone who tries to build up a superannuation account does so with the main (if not  
60 selfish) purpose of attempting to become a very rich multi-multi millionaire.  
61

62 As an example that raises questions about the validity of the first assumption, one might  
63 simply ask how many parents do not feel some sense of responsibility in relation to their  
64 children, including adult children?  
65

66 As an example that raises questions about the validity of the second assumption, public  
67 hospitals and Medicare no longer provide the safety net once provided. Fewer and fewer  
68 medical practitioners bulk bill. Private health insurance has become essential, even  
69 (perhaps especially) after retirement, for many who want – for partner and self – access  
70 to quality medical care in a timely manner.  
71

72 As an example that raises questions about the validity of the third assumption, having  
73 the same level of a family/personal safety net as did someone with one million dollars  
74 in, say, 1972 would require having about *\$12 million* today (i.e., in current dollars).  
75

76 [ <https://www.rba.gov.au/calculator/annualDecimal.html> ]  
77

78 The family/personal superannuation safety net, as it has evolved, helps to provide  
79 assurance that elder years of partner and self are taken care of as best as possible, with  
80 an opportunity to help parents and children if needed. Using as an illustration the

81 government's proposed \$3 million threshold for doubling taxes on superannuation  
82 returns, with the cost of homes (even apartments) reaching a million dollars today *by no*  
83 *reasonable definition* can someone with \$3 million be described as a 'millionaire' in any  
84 traditional, realistic (purchasing power) sense of the term.

85

86 As an example that raises questions about the validity of the fourth assumption, I suspect  
87 many who try to build up their superannuation accounts do this as a relatively easy and  
88 safe way to try to accumulate enough to deal with future challenges. To illustrate, some  
89 Australians upon retirement take a much smaller pension than that to which they are  
90 entitled and live modestly ... leaving the remainder in superannuation accounts to  
91 provide a safety net for unforeseen future needs.

92

93 Although financial services talk in terms of 'wealth' and 'wealth building', I believe  
94 many now see superannuation not as a means to build wealth but rather as a way to  
95 weave a family/personal safety net.

96

97 As is well known, in 1972 a Labor government was elected and began social changes (in  
98 my view) long overdue. At the same time these changes were introduced at a rate not  
99 acceptable to many in the electorate. Had not 'The Dismissal' occurred Labor may well  
100 have been voted out at the (then) coming election.

101

102 Moving on, in considering policy issues in economics, political economics and social  
103 economics, many variables and many interactions among these are involved.

104

105 To simplify, one might arrange government policies along a spectrum, such as Left-  
106 Right, liberal-conservative, fiscal-monetary, command economy-market economy, and  
107 so on.

108

109 Here I will make use of Margaret Thatcher's famous assertion: "... *there is no such*  
110 *thing as society. There are individual men and women and there are families.*" and  
111 suggest overall 'bias' in government policies might be arranged along a spectrum as  
112 follows:

113

114 Society <-----> Individuals

115

116 Following on, my own assumptions:

117

118 1. Countries that provide the most benefits to their citizens and to their nation as a whole  
119 do their best to find optimum government policy settings more or less midway between  
120 the Society and Individuals ends of the above spectrum.

121

122 2. In past decades, government policy has moved too far towards the Individuals end of  
 123 the spectrum.  
 124

125 3. As a result of this move, there has been a shift in values (and voter psychology) for  
 126 many ordinary Australians, a shift to more concern about having sufficient funds to  
 127 obtain essential services previously provided by government (which is not to deny there  
 128 have been benefits in placing more responsibility on individuals).  
 129

130 4. As a consequence of this change in values, moving the balance back towards the  
 131 Society end of the spectrum will take a good deal of time, ... unless a government is  
 132 content with a premature end to its control of Parliament.  
 133

134 5. Finally, in 'Society' I include effectively regulated charities (and not-for-profits)  
 135 operating with world-class best practice financial reporting. There is no compelling  
 136 reason governments should make all decisions about best ways to allocate funds for the  
 137 benefit of society. There is also no reason why Australia's unique 'Gresham's law of  
 138 charities' - in which bad charities drive out donations to good charities (and  
 139 volunteering) - should not be 'repealed'.  
 140

141 Government policies in the past several decades have created a very difficult problem  
 142 for any government wishing to alter the balance. When previous governments have  
 143 operated on the principle of 'temporary surpluses, permanent commitments', when  
 144 couples have been encouraged to have one child for mum, one for dad and one for the  
 145 country, when there has been so much privatisation of public assets [not least the CSL  
 146 which after privatisation decided it could make greater profits selling plasma than doing  
 147 research on vaccines], and so on, trying to turn the clock back, so to speak, is a  
 148 minefield for any government to try to negotiate.  
 149

150 Parenthetically, and with all due respect to Dr Henry, as tempting as it might sound to try  
 151 to do all tax reform at once, to attempt to do so in my view would be like trying to deal  
 152 at the same time with fires, floods, and droughts, ... together with an alien invasion from  
 153 inter-galactic ('big bang') space.  
 154

155 [cf. [https://theconversation.com/former-treasury-head-ken-henry-says-we-need-big-  
 156 bang-tax-reform-rather-than-incremental-change-201962](https://theconversation.com/former-treasury-head-ken-henry-says-we-need-big-bang-tax-reform-rather-than-incremental-change-201962) ]  
 157

158 In short: superannuation is no longer an 'individuals only' issue. For many Australians  
 159 of modest means living equally modest lifestyles, superannuation accounts have become  
 160 a way – over the longer term - to try to develop family/personal safety nets.

161

162 As well the superannuation issue is part of a network of issues such that how one issue is  
163 dealt with directly affects other issues, and in turn indirectly affects still others.

164

165 Finally, as implied, if the present government wishes to remain in power long enough to  
166 shift the balance back more towards the Society end of the spectrum, albeit over a longer  
167 period of time, it is not only a matter of the economy but also a matter of political  
168 economy. For example, with putatively 'only' 80,000 people affected by proposed  
169 superannuation tax changes in the near future, it has to kept in mind that elections can be  
170 won or lost with 50 votes, ... or fewer.

171

172 *Name not for publication* please:

173

174 In light of recent discussions of superannuation accounts I would not want to be targeted  
175 by anyone who erroneously might think I have \$400 million in super, when I have no  
176 idea what I would do with \$400 million, other than give most of it to effectively  
177 regulated charities with detailed financial reports online (as is mandated elsewhere, e.g.,  
178 in the UK, Canada and the U.S.).

179

180 Yours sincerely,