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An Australia reMADE primer to leadership in the 2020 Federal Budget



Introduction

The October 6 Federal Budget is fast approaching. So how can we most usefully engage in the coming debates – in a way that supports our goals, values and [vision](#) over the long-term?

First, to set the scene. More than 1 million Australians are out of work. We've got our first recession in more than a generation. JobSeeker payments are expected to be reduced, and JobKeeper wound back. [4.3 million people have already applied](#) to early access to their retirement savings. Planned [increases to superannuation may be put on hold](#), and [tax cuts brought forward](#). [Many homes are expected to decrease in value](#) (good news for some, scary for others). Entire industries may never come back, and new ones are already sprouting up. There have been great human costs, but also great human strengths on display. We've sacrificed for each other, reinvented together; bunkered down alone, together.

And we've also learnt some important [lessons](#), including that Left-leaning or Right-leaning, it's the government's job to smooth over the bumps with solid stimulus and income support. This is [a big reason why Australia's economy and people are doing better](#) than we thought we would (even with [serious mental health challenges](#)), and better than those in many other nations so far.

Despite this, the political read is that Scott Morrison now needs to reassure his backbench. The tax cuts are likely a fait accompli. It's tempting for advocates to just accept this, not give the issue too much airtime, and move on.

But we have a big opportunity here: millions of people have directly experienced the difference of extraordinary government intervention during the covid crisis. Australians are going to be paying closer-than-usual attention to economic news and this budget debate. We have a responsibility to intervene in the very narrow and uninspiring terms of the current debate, hold our government to a higher standard and talk about what we actually want.



What is the kind of society we want to be coming out of covid?

How is the government delivering for all of us?

What is the purpose of the budget?

These are the conversations we want to have. Therefore this memo primes us to think more deeply about how to frame these arguments – not just for this debate or this moment; but for every debate and moment that becomes possible (or not) afterwards.



Here are five key ideas to inject into the debate to reframe the conversation.

- 1. Beware the tax cut Trojan Horse**
- 2. Remind people that government works for us, and tax is that work in action**
- 3. Avoid the debt and deficit trap**
- 4. Reveal the neoliberal ratchet**
- 5. Lead a better conversation**

1. Beware the tax cut Trojan Horse

Tax cuts are not only poor at the kind of job-creating stimulus Australians so clearly need right now (as [modelling from The Australia Institute](#) and past experience show); they're an admission of failure and lack of vision. They're the government of the day saying, 'sorry, we don't have any other worthy ideas for how we take this historic opportunity to improve, innovate, invest, revitalise, confront huge challenges and shape things for the better. So we're just going to give you a bit of a refund.'

Look, the Morrison Government wants good things to announce in Budget 2020. They don't necessarily have much new to offer to ordinary voters, so they're putting forward 'a tax reform package.' They'll tie it up with a bow, in the usual neoliberal story about putting more money in people's pockets, winding back unsustainable government support and unleashing the power of the entrepreneur. Ta-dah! They've done their bit, now the onus is on us.

We don't want tax cuts to become a covid Trojan horse, used to:

- Put the onus on individuals to lead a 'private recovery' rather than a public one (which is likely not possible at the scale required, especially pre-vaccine).
- Let the government off the hook for its lack of bigger vision, and let business of the hook for wages that were stagnating well before covid hit; and
- Soften up the electorate for further corporate tax cuts.

2. Remind people that government works for us, and tax is that work in action.

Tax as an act of love, service, self-interest, democracy?? Try saying that publicly!

We acknowledge there's a risk of doing this badly and sounding tone deaf, but it's time to talk about tax as a contribution towards the society we actually want to live in, not as a burden or punishment. Tax takes the hard edges off inequality and marginalisation. It fosters a society where we all have a stake and a say. It's the mechanism we use to solve problems that are too



big or expensive to solve on our own (which is why it's an idea that keeps coming up, from historical '[Friendly societies](#)' to modern-day [tech bros](#)). Paying our taxes is the act of a proud and mature citizen. Setting fair and effective tax policy is the act of a proud and mature nation.

Tax also goes hand-in-hand with a strong, functional democracy. It's both our personal contribution, and it's how we collectively determine the future we want to shape, using our collective resources and collective voices.

Now yes, we can have a debate about what a reasonable rate of taxation is, what we should tax, how progressive our tax system should be and how our taxes should be spent. But let's not fall for the neo-liberal lie that tax is inherently bad, punitive or burdensome.

Use this moment to talk about what tax has achieved and delivered. Government funding is what has allowed us to keep thousands of Australians tied to their employer and salary during covid. It's what's kept food on the family table when someone has lost their job. It's what's helping fund the development, as well as the purchase, of a covid vaccine. It's what's kept our health system on its game, our doctors and nurses and teachers at work; and given us access to trusted information from the ABC.

When our government boasts about tax cuts, what they're actually talking about is raiding the community chest, running down our ability to fund quality services, respond to emergencies and invest in our collective capacity. They do it all betting few will take them on, because who wants to be seen on the side of the tax collector? Who wants to deprive a family doing it tough of a few extra dollars?

But crises reveal a lot. Turns out, it's our collective capacity to care for each other, keep things running, create new opportunities and meet our needs that serves us well and keeps us safe; not our rugged individualism, ruthless competition or the unfettered free market.

Australians like living in a wealthy country, instead of a poor country with a few wealthy people in it. Australians enjoy the benefits of an educated, healthy, peaceful population. Australians like that we don't have to guard our possessions behind gates, walls and guns. Australians like a society with social mobility, opportunity and high levels of community trust and cooperation. Australians like homegrown cutting-edge research and science. We like well-run services and quality, trustworthy institutions. We like healthcare.

We know that when push comes to shove, good government beats good charity every time. Charity is the ambulance at the bottom of the cliff, good government is the bridge over the top.

Of course, it's harder to feel good about paying our tax if we don't trust our government to spend our money well, or when we believe others are using loopholes and accountants to avoid contributing anything at all. Australia still has some work to do here. Even pre-pandemic, [ATO data revealed one third of large companies in Australia pay no tax](#) at all (though many have used and allegedly [misused JobKeeper payments](#)). We need to continue to address these things, and be open to ideas like more [participatory budgeting](#).

Bottom line? Tax is part of a healthy democracy, and democracy is something we do. We shouldn't let cynicism about bad government stop us from having good government.



3. Avoid the debt and deficit trap

We can talk about why we have tax and what we want from our government without falling for the 'budget bottom line' debt and deficit trap that falsely [compares household budgets to a national budget](#). If asked 'what about debt?' we can invite a conversation about what constitutes productive vs problematic government debt and deficit (something many journalists themselves don't really understand). Short answer: invest in the [public good](#); in people, nature and capacity.

As economist [Stephanie Kelton argues](#), "Deficits can be too big, but the deficit can also be too small. It can be too small to support demand in the economy. And evidence of a deficit that is too small is unemployment." So with 1 million people unemployed, why on earth would we worry about deficits?

4. Reveal the neoliberal ratchet

Tax cuts are easy to offer and popular in part because we've been told for decades that tax is a burden, an imposition, an act of theft by a greedy and overreaching state. Even left-leaning politicians refer to 'easing the tax burden' or 'putting more money back into the pockets of hard-working families.'

At best, tax is talked about like a begrudging obligation: something we rationally hate paying and try to minimise legally where we can, but that we ought to comply with nonetheless. We've all been taught to feel resentful of tax and a bit ashamed of anyone for asking for it, instead of proud and grateful for the good tax creates. And that's why we need to get much better at talking tax, not just for this debate, but for all the debates that come after.

So let's reveal the larger long-term neoliberal strategy, which economist Richard Denniss [explains this way](#):

Step 1: Offer everyone a mild sweetener while transferring vast wealth to the already wealthy (people and business);

Step 2: Reduce government spending, argue deficit is bogeyman;

Step 3: Cut funding for services and further diminish expectations of government.

It's a ratchet, and it's also a giant own goal. [Research finds](#) as we grow more unequal, we become more polarised, fractured and stressed. Social trust and cohesion erode. Ordinary citizens become increasingly compelled to purchase our own necessities ('see how hopeless government is!') and to fight over the scraps of what public funding remains. Mental health deteriorates, levels of violence and addiction are shown to increase. Even life expectancy is affected by the psycho-social stress caused by greater income inequality and status anxiety.

The wealthier among us might not mind too much because, at least for a while, they can buy their way out of society's problems. But eventually we all realise we're living in a country we don't really like, and we wonder how we got there. How did we become so individualistic, anxious and unhappy? How did we become [so dependent on private purchasing power and private corporations to meet our basic needs](#) or have a chance at a decent life? This is not the legacy Australians want to create coming out of covid or the bushfires – crises where the very strength of our collective action, values and resources have served us well to date.



5. Lead a better conversation

To lead a better conversation into the 2020 Budget and beyond, we need to be asking, 'what kind of country do we want to live in, and what's the best way to create that?' For example, in [Canada, the party in government is talking about a Universal Basic Income](#). Now, we can debate the merits of that idea, but it's a vastly different level of ambition. Let's hold our government to a higher standard.

We need to have a national conversation about what we want and why, about what we're doing to set Australians up for a better future. That means identifying projects that are '[shovel worthy](#)' [not just 'shovel ready'](#), while also reconceiving the idea of 'essential infrastructure' to include things like care.

What are the best ideas to mobilise around, to capture people's imaginations and cut through? Beyond [permanently lifting the rate of JobSeeker](#), ideas being publicly floated include:

- Bi-partisan proposals to '[build our way out of the recession](#)' including major initiatives on water, high-speed rail, commuter rail and energy and ports;
- More [quality affordable and community housing](#);
- Fully [funding childcare](#) and all [primary education](#);
- Reinventing Australian manufacturing while reducing emissions with [hydrogen power and green steel](#).

These ideas may not be perfect, the details may need a good ironing out, but we applaud their visionary ambition from a cross-section of the community. Morrison's [gas announcement](#), on the other hand, feels like an idea from 30 years ago – and a dangerous one at that. We should be investing in clean energy to tackle climate change and create long-term jobs, rather than propping up struggling multinational fossil fuel companies which are already uneconomic, create very few jobs and pay little or no tax or royalties.

And what if we continued to reimagine infrastructure itself in terms of care? We could:

- Kick off discussion about a National Care Strategy;
- Provide universal paid sick leave for every worker;
- Boost the pension, ensuring super remains fit for purpose;
- Address gender inequality, including the pay gap and the care penalty women pay for taking more time out from the workforce over their lifetimes;
- Fully fund unis and TAFEs so young people can have more opportunities, not just more debt.

In other words, the debate we should be having is not how quickly should we be giving wealthy Australians tax cuts, but how can we better promote equity and opportunity for all Australians?

Finally, don't let anyone tell you that we can't pursue big goals because we've endured a pandemic. Countries, including ours, have built some of their greatest legacies following far greater economic devastation and hardship than we've seen during covid. Think Australia's [welfare state](#) and [snowy hydro](#), Britain's [NHS](#), America's [New Deal](#) and the [GI Bill](#). Budgets are about choices and priorities. We can create good jobs and solve long-term challenges. We can build solutions, not more problems.



Conclusion: 'Economies don't suffer: people do'

This is no ordinary recession. We caused it, intentionally, and for good reason.

The federal government now needs to spend, and it needs to spend in good and useful ways to benefit all of us. We must keep the focus on what people need and avoid buying into arguments that an otherwise bad idea is necessary to "help the economy."

As Sydney Morning Herald economics writer Jessica Irvine [writes](#):

"Economies don't suffer: people do. Granted, economies are, ultimately, just collections of people. But just because the value of goods and services produced by the people in one period compared to another has shrunk, it does not necessarily imply that those people have suffered. Yes, some have. But others have quite enjoyed staying at home and others have enjoyed a pay increase during COVID-19, thanks to generous government support."

Despite covid restrictions causing household spending to fall, total household income and savings are actually up. That part is a welcome development actually in a [country with some of the highest levels of private debt in the world](#). We're not anti-savings. We just understand that tax cuts that go mostly to the wealthy won't do much to put more Australians back to work, lift our wages, invest in our future, restore our environment or improve our quality of life.

We want to see a long-term, bipartisan plan that benefits all of us, and promotes the kind of country we want to live in ([see the 9 Pillars of Australia reMADE](#)). Coming out of covid responsibly doesn't mean abandoning what's served us well, but building on it.

Australians have been through a lot this year. We want something to be positive and excited about for our future. We're ready and willing to do our part for a society where everyone contributes, matters and belongs.



Bonus: some good questions to ask in your next article, media interview, or community conversation:

- *What are budgets for? What is the goal of this budget, in particular? Who are we trying to help?*
- *1 million Australians are out of work, and that number is going to get bigger before Christmas. They won't benefit from a tax cut. What's our offer to them?*
- *It's not debt that future generations should be worried about right now, but a lack of investment in young people's futures. What's our offer to them?*
- *More than half of young workers are in casual or fixed-term contracts, without access to the kinds of jobs, benefits and opportunities their parents had. What's our offer to them?*
- *This recession has already impacted women harder and will continue to impact women disproportionately. What's our offer to them?*
- *More than 4 million people have taken money out of their own retirement savings. What's our offer to them?*
- *Multinational gas corporations employ few people and contribute little tax. How does forcing through fracking and giving them special treatment serve Australians or solve our long-term challenges?*



ABOUT AUSTRALIA REMADE

Australia reMADE promotes [a vision of the country we're aiming for](#), and the systems change needed to create it.

We're an independent, non-profit leadership network for reMAKERS at all levels of society. We are funded by a range of civil society organisations and philanthropy. To get in touch, contact info@AustraliareMADE.org.

Living, loving and working across this country, we respectfully acknowledge the Traditional Owners of the land and their continuing connection to land, waters and community. We pay respect to elders both past and present.

