

AN ECONOMY FOR THE 99%

Australian Fact Sheet
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OXFAM
Australia

Oxfam’s new report *An Economy for the 99%* (January 2017) highlights the extreme level of global wealth inequality, where just 8 of the richest men, in the some of the richest parts of the world, have more wealth than half of the global population (3.6 billion people). Whilst the difference in wealth between people in different countries remains extreme, the growing gap between the rich and the poor within the same countries – including in Australia – is also alarming.

WEALTH INEQUALITY IN AUSTRALIA

The latest data from Credit Suisse shows that wealth in Australia is concentrated in the hands of a few: the top 1% have over 22% of total Australian wealth.

And, the top 1% own more wealth than the bottom 70% of Australians combined.

The two richest billionaires in Australia, who are part of the top 1%, own more than US \$16 billion between them, which is more than the combined wealth of the poorest 20% of the Australian population.¹

As Figure 1 shows, the people in the poorest half of the Australian population have little or no combined net wealth, with around 6% of national wealth between them.

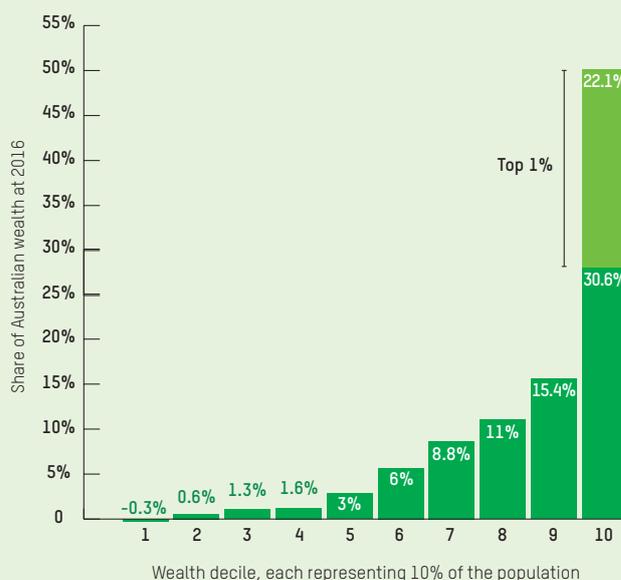


Figure 1 – Australian wealth distribution in 2016
Source: Credit Suisse (2016), 'Global Wealth Databook 2016'

INCOME INEQUALITY IN AUSTRALIA

There is also evidence to show that inequality between incomes, as well as wealth, is increasing. Oxfam's 2016 analysis of Australia's income distribution² found that the richest Australians generated disproportionately high incomes. While the incomes of the poorest 10% did rise between 1988 and 2011, as shown in Figure 2 below, this increase in income was equivalent to just 3% of the total income growth in Australia. In contrast, the income growth enjoyed by the richest 10% of Australians has dwarfed that experienced by the rest of Australia. The richest 10% enjoyed more income growth – more than 28% – than the poorest half of Australians combined.³

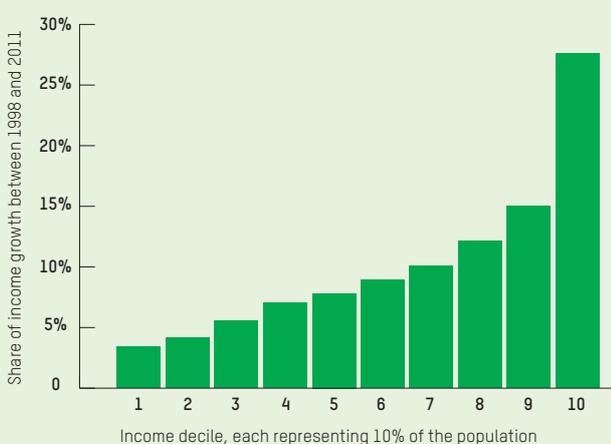


Figure 2 - Total household income growth between 1988 and 2011

Source: Lakner-Milanovic (2013) World Panel Income Distribution (LM-WPID) database.⁴

WHAT CAN TACKLE THIS RUNAWAY INEQUALITY IN AUSTRALIA?

Oxfam argues that a human economy is the best way to tackle the growing problem of economic inequality, both here in Australia and abroad. Building a human economy requires dedicated action from both the Australian Government and corporations.

OXFAM AUSTRALIA CALLS ON THE AUSTRALIAN GOVERNMENT TO:

1. Tackle corporate tax dodging by implementing full public tax transparency

Multinational corporations should pay their fair share of tax, both in Australia and in the countries where they operate. One of the best ways to ensure that this happens is to mandate that large corporations publicly report on their tax affairs – including profits, revenue, employees and assets – for every country in which they operate.

2. End the era of tax havens and the race to the bottom on corporate tax rates

The relentless race to the bottom on corporate tax rates does not reduce inequality, and is likely to only benefit the super-rich. From a federal budget point of view, the proposed tax cut to big business is also revenue neutral, and does not provide additional public funds. The Government should not proceed with a cut in the corporate tax rate for large Australian businesses.

3. Move beyond GDP growth and report on indicators of Australian progress

The now de-funded Australian Bureau of Statistics (ABS) Measures of Australian Progress (MAP), or Commonwealth Treasury's Wellbeing Framework are existing frameworks that could be used, in addition to quarterly GDP growth, to publicly report on the wellbeing of Australians. The role of women's unpaid work should also be captured by Australian progress indicators.

The Government should also use additional measures of progress, beyond GDP growth, within the Australian aid program to make sure that poverty and inequality are effectively targeted by Australian aid.

4. Conduct inequality impact analysis as part of national policy changes

In order to tackle rising inequality at home and abroad, it is imperative that the Australian Government conduct analysis of the impact that policy changes will have on economic inequality. For instance, there is no inequality impact analysis of the proposed cuts to the corporate tax rate.

5. Implement measures to reduce extreme wealth concentration, and follow through with commitment to create a public register of company ownership

In addition to tackling corporate tax dodging, the Australian Government should consider further measures to reduce extreme wealth concentration, such as land taxes, extreme net wealth taxes, and high-income taxes (such as the Buffet Rule). At a time when all levels of government are facing budget pressures, these types of measures can be used to tackle rising inequality, and provide the necessary public funding for essential services that benefit all.

Oxfam also calls on the Australian Government to follow through with the April 2016 commitment to establish a public register of ultimate beneficial owners of companies, foundations, trusts, and accounts. The register should include all

companies registered or operating in Australia and from Australia. Such measures will help reduce tax dodging by wealthy individuals who own large multinational corporations.

6. Refocus efforts to tackle climate change

The devastation caused by climate change has real impacts on Australians and vulnerable communities in our region. It is crucial that the Australian Government refocus efforts to build a human economy powered by renewable energy.

This will require a transition of Australia's energy system to 100% renewables as soon as possible, with Australia reaching zero emissions well before mid-century. The Government must also prioritise support for neighbouring countries to adapt to climate impacts and build resilient, sustainable economies as part of a growing Australian aid program.

OXFAM AUSTRALIA CALLS ON CORPORATIONS TO:

1. Pay their fair share of corporate tax, and end the use of tax havens

A number of large companies have taken steps to voluntarily publicly disclose their tax affairs. We welcome this, and encourage other companies to follow suit. We also call on companies to end the use of tax havens designed to reduce tax obligations in Australia and in the developing countries where multinationals operate.

2. Ensure living wages and fair conditions for all workers in the supply chain

Both Australian workers and workers in some of the world's poorest countries are often part of multinational supply chains that produce goods consumed by everyday Australians. Companies should pay wages that are sufficient for workers to live a decent life and make sure that working conditions do not infringe on the rights of the people working within those supply chains.

3. Minimise the impact on the environment and drive sustainable solutions

Prioritising sustainability and low-carbon solutions are in the interests of all – including businesses. Companies have a pivotal role to play in driving sustainable and equitable solutions to poverty and climate change, including increasing energy access through renewables. The falling price of renewable energy, driven by technological

innovation, presents tremendous opportunities to Australian businesses. Furthermore, companies have a responsibility to ensure that their impact on the planet is actively minimised and that environmental impact minimisation is at the core of business operations.

CREATING A GLOBAL HUMAN ECONOMY

Implementing these principles will enable us to build an Australian human economy. Oxfam calls for the development of a human economy across all countries.

In a human economy:

Governments will work for the 99%. Accountable government is the greatest weapon against extreme inequality and the key to a human economy. Governments must listen to all, not a wealthy minority and their lobbyists. We need to see a reinvigoration of civic space, especially for the voices of women and marginalised groups. The more accountable our governments are, the fairer our societies will be.

Governments will cooperate, not just compete.

Globalisation cannot continue as a relentless race to the bottom on tax and labour rights, which benefits no one but those at the top. We must end the era of tax havens once and for all. Countries must cooperate, on an equal basis, to build a new global consensus and a virtuous cycle to make sure that corporations and rich people pay fair taxes, the environment is protected, and workers are well paid.

Companies will work for the benefit of everyone.

Governments should support business models that clearly drive the kind of capitalism that benefits all and underpins a sustainable future. The proceeds of business activity should go to those who enabled and created them – society, workers, and local communities. Lobbying by corporates and the purchase of democracy should be brought to an end. Governments must make sure that corporations pay fair wages and fair taxes, and take responsibility for their impact on the planet.

Extreme poverty and the extreme concentration of wealth are ended. Today's gilded age is undermining our future, and needs to end. The richest should be made to contribute to society fairly and not be allowed to get away with unfair privileges. To do this, we need to see the rich pay their fair share of tax: we must increase taxes on

both wealth and high incomes to ensure a more level playing field, and clamp down on tax dodging by the super-rich.

The economy will work equally for men and women. Gender equality will be at the heart of the human economy, ensuring that both halves of humanity have an equal chance in life and can live fulfilled lives. Barriers to women's progress, including access to education and health care, will permanently end. Social norms will no longer determine a woman's role in society and, in particular, unpaid care work will be recognised, reduced and redistributed.

Technology will be harnessed for the interests of the 99%. New technology has huge potential to transform our lives for the better. This will only happen with active government intervention, especially in the control of technology. Government research is already behind some of the greatest innovations in recent times, including the smart phone. Governments must intervene to ensure that technology contributes to reducing inequality, not increasing it.

The economy will be powered by sustainable renewable energy. Fossil fuels have driven economic growth since the era of industrialisation; but they are incompatible with an economy that puts the needs of the many first. Air pollution from burning coal leads to millions of premature deaths worldwide, while the devastation caused by climate change hits the poorest and most vulnerable hardest. Sustainable renewable energy can deliver universal energy access and power growth that respects our planetary boundaries.

We value and measure what really matters. Moving beyond GDP, we need to measure human progress using the many alternative measures available. These new measures should fully account for the unpaid work of women worldwide. They must not only reflect the scale of economic activity, but also how income and wealth are distributed. They must be closely linked to sustainability, helping to build a better world today and for future generations. This will enable us to measure the true progress of our societies.

We can and must build a more human economy before it is too late.

FOOTNOTES

¹ Data from Forbes annual billionaire list <http://www.forbes.com/billionaires/> compared with Credit Suisse Global Wealth databook.

² First released in An Economy for the 1% - Wealth and Income Statistics for Australia, January 2016, Oxfam Australia Fact Sheet, available at: https://www.oxfam.org.au/wp-content/uploads/2016/01/2016-11_WEF-Report_v1c.pdf

³ Oxfam calculations, using data from Lakner and Milanovic (2013). All incomes are 2005 PPP dollars, which represent real incomes at 2005.

⁴ Data for 2011 provided through personal correspondence with B. Milanovic, September, 2015. More information about general methodology available at: <https://www.gc.cuny.edu/Page-Elements/Academics-Research-Centers-Initiatives/Centers-and-Institutes/Luxembourg-Income-Study-Center/Branko-Milanovic,-Senior-Scholar/Datasets>