

Inquiry into Superannuation – a follow-up submission by Alex Finch:

Understanding the connection between super and negative gearing, and how the top 20% used it.

Who will win the next election? Answer: Australia's top 20%.

Vote Labour – it's all about a fairer distribution of capital and reducing inequality..... right?

Wrong! Not in Australia. Ever wondered why there is so much talk in Australia, but nothing ever changes? There is a reason for that.

In Australia, since 1995, thanks to the mining boom, there was a river of gold but *both the Labour Party and the Liberal Party* funnelled most of it only to the top 20% (in the last 8 years the Gini Coefficient has spiked). Did you know that since 1995 the actual disposable incomes of *all* households in the bottom 50%, adjusted for inflation, increased by less than \$500 a week, while *all* households in the top 20% increased their disposable incomes by over \$1000 a week - to more than \$3000 a week (more than 4x what a family in the bottom 20% now gets).

[I use the "actual disposable" incomes here, not the "equivalised" incomes the government likes to use (which seem to make income distributions look fairer than they are), where a couple household with one child on a \$1800 weekly disposable income has an equivalised disposable household income of a single person on \$1000 and a group household with three adults on \$2000 also has an equivalised income of \$1000 (see ABS 6523.0 2013-14 for details)]

So in actual numbers, all of our top 20% are now on over \$3000+ a week net - that's got to be a world record! To make matters worse, much of the increase since 1995 for the bottom 50% is from what's called "social transfers in kind" – subsidies for education and health – not actual cash or spending power. So what is going on?

Both the Labour and the Liberal parties are again talking about *lowering* taxes and cutting spending, to try to tackle the growing government debt levels and excess borrowing from overseas. In stark contrast, socialist countries in northern Europe heavily tax their top 20% of household-incomes, which helps lower housing costs and helps improve social services & infrastructure, delivering a better standard of living for the bottom 50% and a happier society, with far less crime. These countries may have high government debt levels but they cleverly used it to put all their infrastructure in place, at very low interest rates, and very low net foreign debts. So why hasn't Labour been proposing the same for Australia all these years? Is the Australian Labour Party a true alternative to the Liberals, or just a wolf in sheep's clothing?

Here is a hypothetical question: what if it turned out that of those households in the top 20% - half were Labour voters and half were Liberal voters? If this were true then it surely wouldn't matter if Labour or Liberals were in power, both would be looking after the top 20%, not wanting to step on anyone's toes in that important group, their main source of financial support. Not possible you say?

I recently listening to Alan Jones talk to Grace Collier on 2GB about union wages. Collier and Jones were talking about a "river of gold" flowing to the CFMEU and other union members, with many tradesmen, including labourers, now earning over \$150,000 a year. They just negotiated another 15% pay rise over 3 years. Over a million people work in the building industry in Australia, 10% of the workforce. So it isn't just dentists, engineers, doctors, lawyers, high school principals, miners and senior government officials ("fat cats") earning more than \$3000 a week. With 1.8 million union

members, there must be a lot of traditional Labour voters who are also in the top 20% of earners. Why would Labour want to change that?

For both Labour and Liberals it's been the same game plan: **don't upset the top 20%**. To argue that taxing the top 20% too much will reduce the incentive to become a doctor, dentist, engineer or qualified tradesman is nonsense – just look at Europe.

To add insult to injury in Australia, the households in the top 20% are the ones who pushed up home prices through our unique negative gearing tax-minimization schemes, making housing even more unaffordable for the bottom 50%. Negative gearing should have been abolished long ago, why wasn't it? The Labour Party certainly did nothing about it while in power, no doubt because many of their own voters are also high income earners and negative-gearers. Who is the richest person in Australia in 2016? - Harry Triguboff, the biggest apartment developer and rental landlord in Australia. Think about this: the superannuation-savings of the bottom 50% has actually financed Australia's dwelling-price-bubble indirectly by supplying more capital to our banks, to enable more lending to investors, mainly the top 20%. If you're in the bottom 50% chances are your super helped others to get rich as they borrowed and push-up home prices; *your money was being used to make housing even more unaffordable for you* – it's the joke of the century. You might have \$100.000 in super, but today you will probably have to borrow an extra \$200.000 to get off renting, and that extra \$200.000 will probably go straight into the pocket of someone in the top 20%. Even if you belong to the bottom 50% and now own your own home, chances are you had to borrow much more than you ever expected to buy it - probably off someone in the top 20% who used your super to purchase it 10 years ago for half the price. Rivers of gold!

Australia is controlled by a group of shameless political and economic elites, the top 20%: the highly concentrated media, talk-back radio, powerful unions, the "faceless men", as well as the big-end of town big business, - and all their cronies. They basically write the rules to suit their preferences and greed, with little concern for the majority. So while the standard of our infrastructure, schools, hospitals, roads etc. steadily declines, our top 20% are today among the highest net wage earners in the world, fuelling the biggest housing-price bubble on record with unaffordability now off the scale.

You have to ask yourself: Why have neither Labour nor Liberals fixed this?

Thomas Piketty writes in his now famous book *Capital* that net income inequality is an Anglo-Saxon phenomenon, but in the US it is mainly due to increased pay at the very top end of the distribution, the top 1% (page 314/15). In Australia it's the top 20%.

All the talking and debating is just song & dance, a smoke screen, to fool the bottom 50% into thinking something will change.

No matter who wins the election, with our net foreign debt now over \$1 trillion and rising rapidly, Australia will lose its AAA-rating, but when the dollar eventually falls further and the cost of living rises, as long as you're on \$3000 a week and always in control, who cares right?!

So Congratulations! If your household belongs to the top 20% you will be a winner again at the next election, no matter who is elected.