



Funds for a decent society – Avoiding the great cash throw away to multinational corporations

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All the believers were together and had everything in common. They sold property and possessions to give to anyone who had need.
Acts 2:44-45

The early followers of Jesus created a community in which they shared their wealth and assisted those in need. This is more easily done in small communities, while in our modern nation states the easiest and fairest way redistribution to those in need can occur is through a progressive taxation system. Such a system provides funds to governments to pay for things like hospitals, schools, aged care homes, mental health services and support services for victims of family violence.

Currently the Federal Government continues to pursue its attempt to give away \$65 billion to businesses over the next ten years through a tax cut to corporations with over \$50 million in revenue a year. This is money that could be better spent funding a better community in Australia. By comparison the Federal Government currently spends around \$7 billion a year on disability services and a paltry \$30 million to address the problem of family violence. The money being given away would fund over half of the \$10 billion a year the government spends on residential aged care subsidies and supplements. While planning on giving all this money away to multinational corporations the government cries poor, and plans to fund the great give away through cuts to foreign aid and not adequately funding aged care, health care, housing for the homeless and the law enforcement agencies like the Australian Federal Police and the Fair Work Ombudsman.

Lowering the corporate income tax rate in Australia for larger corporations will:

- Increase inequality in Australia, with inequality being increasingly shown to be a factor in undermining social cohesion in societies;
- Make our tax system less progressive, meaning the wealthier Australians will contribute less to the provisions of services and law enforcement for a good society in Australia; and
- Deliver more money to foreign shareholders, who do not pay tax in Australia.

Adjunct Professor of Monash University, Stephen King, has stated that:¹

Would a global tax race of beggar thy neighbour by cutting company tax be good for Australia? The answer clearly is no. The best thing that a country like Australia could do is to try and use our influences on the international stage to make sure that does not happen. It's best to stop it.

Multinational corporations play governments off against each other to give away tax revenue to them, both as corporate income tax cuts and as direct payments and incentives, and it is ordinary people who lose in this harmful game. Ultimately, more of the world's wealth is transferred to those who are already wealthy, at the expense of the well-being and standard of living of ordinary people and those already struggling to make ends meet.

The bulk of the corporate tax cut would go to people who are already wealthy, feeding into the problem of inequality in Australia. Work by Andrew Leigh found real wages for the bottom tenth of Australian rose 15%, while wages for the top tenth rose 59% in the period 1975 to 2010. Cumulatively, the increase in inequality over the past three decades represents a \$365 billion shift from the bottom 99% to the top 1%. His work found the richest 50 people in Australia have more wealth than the bottom two million.²

Emerging evidence links economic inequality with decreased psychological wellbeing and poor health. Wilkinson and Pickett's *The Spirit Level* linked directly the major health and social

¹ Jessica Irvine, 'What economists think about corporate tax cuts', *The Age*, 24 February 2018, 13.

² Andrew Leigh, 'Gap between haves and have nots must be narrowed', *The Australian*, 21 April 2014.

problems to levels of income inequality through an analysis of OECD countries. People living in unequal societies were several times more likely to be in jail, be mentally ill, be obese, be murdered and have higher infant mortality.

Victoria University's Dr Janine Dixon has calculated there will be a net cut in living standards for ordinary Australians as a result of the proposed corporate tax give away, with living standards dropping by around \$1,600 on average.³

The experience of the tax give away to multinational corporations through the Trump *Tax Cuts and Jobs Act 2017* in the US is that the vast bulk of that money has been used in share buybacks. So far corporations in the US have used US\$171 billion of the tax giveaway in share buybacks.⁴ The tax give away showers cash on corporations indiscriminately, not just on those with great investment ideas. Some corporations now have extra cash but no ideas for productive investments, so their response is in turn to give it away to shareholders through higher dividends and share buybacks.⁵

The share buybacks benefit the wealthiest Americans, with the wealthiest 10% of households in the US owning 84% of shares in 2016, according to NYU Professor Edward Wolff. The richest 1% owned 40% of shares.⁶ Professor Lazonick of the University of Massachusetts Lowell has stated "If you want to understand why there is such extreme inequality, this use of corporate cash is a big part of it."⁷

What you can do

Write polite and respectful letters to:

Senator Derryn Hinch
Senator Rex Patrick

Senator Tim Storer
Senator Stirling Griff

The address for the each Senator is:

PO Box 6100
Senate
Parliament House
Canberra ACT 2600

Salutation: Dear Senator

Points to make in your letter:

- Express deep concern that the Commonwealth Government is planning on giving away billions of dollars each year to multinational corporations through a corporate tax cut.
- Ask that they oppose the tax cut and instead seek that the money is used to fund proper responses to address the problem of family violence, good aged care, better hospitals and schools, public housing, measures to combat child sexual abuse and assistance to developing countries to help them become self-sufficient (you might want to add some of your own as well).
- Note that the government already does not have the money to do all these things, so it cannot afford to be giving money away to multinational corporations.

³ Peter Martin, 'Hold your horses on tax', *The Age*, 22 February 2018, 20.

⁴ Matt Egan, 'Tax Cut scoreboard: Workers \$6 billion; Shareholders \$171 billion' CNN, 16 February 2018.

⁵ Justin Wolfers, 'How to Think About Corporate Tax Cuts' *The New York Times*, 20 March 2018.

⁶ Matt Egan, 'Tax Cut scoreboard: Workers \$6 billion; Shareholders \$171 billion' CNN, 16 February 2018.

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