

Changes in attitude and behaviour in Australia and the world and the consequences.

Dr James Keipert
April 2017

We live in strange and challenging times

Brexit - the exit of the United Kingdom from the European Union was a shock to many.

Southern England, Wales, Scotland and Northern Ireland voted to stay

But the Midlands and Northern England where

- industry had been severely cut
- and many felt their high unemployment rate was being ignored
- and they resented migrants who they thought were taking the jobs they didn't have
- and they were losing faith in the government
- and inequality in the UK was increasing
- and they carried the vote to exit the European Union

The American equivalent of this surprise was the election of a president who

- despite owning 500 companies and being enormously wealthy
- has been bankrupted several times
- has 1 billion dollars in debt spread over many organisations
- has paid very little in tax in the USA
- has been a member of 5 political parties
- has expressed lewd and lecherous views about females
- has the easy ability to prevaricate with the truth
- can change his opinion to suit the occasion
- and he often blames others for his mistakes

More than 100 of his companies have an interest in countries such as China, Russia, Germany, Turkey, Saudi Arabia, Argentina, The Phillipines, Indonesia, South Korea, United Arab Emirates, Uruguay and Scotland creating enough conflicts of interest as President to consume an army of ethicists and lawyers in perpetuity

And it's interesting as President that the Muslim countries in which he has business interests are not included in the 7 Muslim nations whose citizens he tried to prohibit from migrating to America

Factors leading to President Trump's election are

- the US has the highest inequality rates among developed nations
- the bottom half of US workers have seen no real increase in their wages for the past 20 years
- 70% of workers are in the low paid sector
- 20% of men aged less than 65 had no paid work in the past year
- 13.5% of Americans live in poverty
- in the industrial cities of the U.S. workers are resentful of migrants who they see as competing for rare jobs
- the gap between the haves and the have nots is increasing



*Jim Keipert wearing
"Donald Trump" Hat for the talk*

This is slightly analogous to the U.S. in the last one third of the 1800s when the rich were super wealthy and 11 million out of 12 million families lived in poverty

And the situation was forecast by the famed American economist Joseph Stiglitz in his book 'The Price of Inequality. How today's divided society endangers our future'.

- the workers have lost faith in their politicians

For similar reasons, antiestablishment far right parties who have a chance of being elected to power in France, Germany, the Netherlands, Italy and Austria have called for referendums or other mechanisms to end E.U. membership, and would take their nations to the right

In the Australian Parliament we have a situation somewhat analogous to the Donald Trump phenomenon in the form of Pauline Hansen, although fortunately not as leader of the country

When previously elected in 1998 the main planks in her platform were:-

1. Forcing refugees arriving in Australia by boat to be forcibly returned to their country of origin, although that was, and is, completely contrary to Australia's obligation as a signatory to the 1951 Convention on Refugees
2. Stop immigration of all types
3. In 1998 she was strongly antipathetic to Asians and now she has transferred that antipathy to Muslims
4. Stop native title grants
5. Hold a referendum to return capital punishment
6. Relax laws on gun control
7. Stop controls on land clearing
8. Relax standards for entrance to the police force

Lest you think that some of the problems I'm about to describe to you are recent, I quote that great social researcher Hugh Mackay from his book 'Turning Point' in 1999, 18 years ago. He states that it is a paradox that while we have become a shining, perhaps unique, example to the world of how to create a successful society out of immigrants from 200 different countries, we continue to have many problems

In the past 20 years - up to 1999 - the number of households below the poverty line has increased

- about 2 million Australians are now classified as living in poverty
- 800,000 children are being raised in homes where neither parent has a job
- one million children live with only one parent
- 32% of adults are primarily dependent on welfare payments for their income
- youth unemployment is 25% nationally and up to 50% in the poorer regions
- and just of Interest, by the age of 18, 20% of children have experienced a major depressive episode, and each year 40,000 Australians aged 15 to 24 attempt suicide

Let's look at some of the reasons for Pauline Hanson's and other independent's resurgence

EMPLOYMENT

The figure of about 5.6% unemployment adopted by politicians and many agencies is a significantly low figure because :-

- you are regarded as employed if you work 1 hour per week
- about 550,000 workers, mostly men in the older age groups have given up looking for work despite trying for long periods, but are not recorded as unemployed

- the real unemployment rate is 11.7%

If you add 1 million workers who are looking for more hours to work, that makes 18.7% of the workforce is unemployed or underemployed - in 1972 2.0%

Youth unemployment rate is very high at 21%

But in deprived areas such as Frankston, Dandenong, the Western suburbs or the Latrobe Valley, it is much higher. Not surprisingly the total unemployment rate in Morwell is 19.5%

GENDER UNEMPLOYMENT

Since 1970 the proportion of women working in the highest 1/5th of skilled jobs has risen, but the proportion of men working in these jobs has risen less

The proportion of women working in the lowest 1/5th of skilled jobs has fallen, but the proportion of men has risen

So daughters today enjoy greater income earning capacity and status than their mothers but it is far from certain that sons today will fare better than their fathers

As an indication of employment rates in the 20 years 1993-2013

Women aged 60-65 employed rose from 15.2 to 44% - an increase of 29%, whereas the rise for men aged 60-64 was from 48 to 63% - an increase of 15% albeit from a higher base

So we can conclude that a significant, and probably the main, cause of male unemployment is female employment

This is not surprising as:-

- before World War II single female workers retired from the workforce when they married
- and November 18th last year was the 50th anniversary of legislation being passed allowing married women to be employed in the public service.
- typically male jobs are fewer while typically female jobs are increasing

So, it is not surprising that many unemployed men will not vote for the political parties that they see as allowing their unemployment to happen

Unemployment, especially long term, is extremely important because of the sequelae:-

- loss of self esteem
- mental health problems
- alcohol and drug abuse
- domestic violence
- self harm and suicide

All problems radiating into subsequent generations

POVERTY

2.5 million Australians exist below the poverty line - that's 10%

17.4% of children live in poverty - that's 731,000. This is a slight increase compared with the numbers found by Hugh Mackay in his 1999 report, so significant poverty has been recorded for 36 years. Many of these have little or no hope of lifting themselves out of poverty

This is despite Australia being in its 24th year of uninterrupted growth and without a recession

1 in 10 Australians cannot afford to buy an adequate amount of food
33% of single retired women are living in poverty

The Newstart Allowance is also known as the Unemployment Benefit or the Dole. It is a miserly amount of \$13,500 p.a. Those forced to live on Newstart are living in poverty. Those living on Newstart for greater than 1 year are living in severe poverty. The Newstart payment for an Australian single person is just 28% of the minimum wage. This is only one half of the OECD equivalent of 57% of the minimal wage

INEQUALITY

Re world inequality, the 8 richest men in the world have the same wealth as the poorest half of the global population - i.e. 3.6 billion people

The 1810 billionaires on the Forbes List have the same combined wealth as 70% of humanity

In Australia our 2 richest individuals own more than the poorest 20% and the wealthiest 1% own more than the bottom 70%

Over the past decade the number of individuals with net assets greater than 40 million dollars has grown by 135%

- the number of Australian billionaires has increased from 22 to 53
- more billionaires are aged less than 40 years and more are female
- self made millionaires have increased from 45% to 75%
- Australia has 0.33% of the world's population but 1.8% of billionaires - nearly 6 times greater than expected

In contrast to the persistent high levels of poverty in our apparently affluent nation, the salaries of our chief executive officers often seem obscenity high. The take home pay of the CEO of one of our main firms about a year ago was 18 million dollars per annum or just on 50,000 dollars a day. This daily pay almost equals the annual pay of a worker on the median wage.

The average earnings for 2017 of the CEOs of Australia's 100 biggest listed companies would have passed the average workers yearly pay of \$81,000 by mid morning on January 5th

Put another way, the average take home pay for a top ASX 100 CEO is 68 times the average adult worker's pay per annum

And while the average salaried worker has Buckley's hope of avoiding tax, 77 Australians earning more than 1 million p.a. - that's earning not assets - pay no tax, and many wealthy corporations are able also to avoid tax

And this is at a time when 1 in 4 Australian workers feel

- financially stressed and find it difficult to make ends meet
- and financial stress is costing Australian businesses 47 billion dollars p.a. through loss of productive work time and extra sick days taken

POPULATION

Taking Victoria as an example, for the past decade the population has increased by 100 to 110,000 per annum, with about 80,000 coming to Melbourne. Last year Victoria's population increased by 113,000 with 110,000 coming to Melbourne. 60,000 of those are overseas migrants, out of a total arrival of 200,000 per annum in Australia

Many economists and politicians state that migration is good for our economy and our country because it creates jobs and increases taxation income, but doesn't reduce the opportunities for our resident population

This may have been appropriate in the 1960's and 70's when the unemployment rate was about 2%, and explains the contribution of migration to the Snowy Mountains Scheme, but I don't think it applies with our general unemployment rate of about 11% and up to 20% in some areas, and youth unemployment rate is 21% but in some deprived areas it is higher

And it is even less appropriate in view of the seriously deficient and run down state of essential services in the areas of health, education, mental health, ambulance services, the disabled, child protection, foster care, the homeless, legal aid, the justice system and Centrelink, and because people will be living longer, we will have more older members in the community who will require the use of more of our already inadequate essential services

I think we should greatly reduce the number of migrants from the 200,000 level per annum

We should retain our present adequate humanitarian intake and should accept

- asylum seekers found to be genuine refugees
- some migrants for family reunion
- some migrants with special skills, but only if they were not available in Australia

Allowing 50,000 for these groups would allow a reduction in the population by 150,000 per annum or one and a half million over 10 years in Australian and 450,000 in Victoria

EMPLOYER MISBEHAVIOUR

I got carried away and wrote three pages on this, but I'll just give you a summary

A wide spectrum of businesses have underpaid or defrauded employees :-

- foreign workers in the fruit industry
- food sellers, convenience stores, cleaners, workers in hospitality, construction and agriculture
- banks have misled and defrauded customers
- franchisees have been defrauded
- motor vehicle and pharmaceutical companies have misled customers
- employers have not paid compulsory superannuation contributions

More than 500,000 employees who are paid by their employer in cash do not get most of their entitlements

So it's not surprising these workers might be feeling antagonist and resentful to employers in general

THE TWO AUSTRALIAS

57% of the population of Australia lives in Victoria, 25%, and NSW, 32%

Victoria NSW is well ahead of the other 5 states with

- 54% of Australia's economic activity
- employment increased at an annual rate of 2.2% versus minus 0.8% in the other 5 states - Victoria itself grew 3.4%
- and they are well ahead with population growth, house prices, and unemployment rates

It's therefore not surprising that the teams of Clive Palmer, Pauline Hansen and Nick Xenophon were mostly from the more deprived states other than VicNSW

And Victoria is the most divided state. Melbourne's economy grew 4.4% in 2015-16 while the economy of rural Victoria shrank for the 4th consecutive year

So inequality in Australia is present at both a national and state level, and it's not surprising many of the deprived citizens are feeling neglected and left behind

TRANSPORT

TRAINS. Many Melbourne trains are persistently overcrowded by up to 50% at peak period

It is anticipated that many Melbourne lines will be overwhelmed with passenger growth by 2018, leaving more and more commuters unable to board peak hour trains

This is due to long standing government failure to invest in new stock and build new lines, and the Victorian train operator says a 4 fold increase in government funding is needed to fix it

TRAMS have problems with

- slow tram speeds
- infrequent services
- large parts of Melbourne inadequately serviced

A headline in The Age last week stated "Tram services slashed, passenger numbers grow"

ROADS - the present congestion will continue to increase

- in the morning peak the average speed on the inner Eastern Freeway is just 9Km/hour
- congestion costs \$4.6 billion p.a. - expected to rise to \$10.2 billion p.a. by 2030 - \$1700 p.a. For every Melbournian

Over the past 30 years Victoria has underinvested in new transport infrastructure.

Victoria has 25% of the national population, but for the next 4 year budget gets only 7.7-% of federal funding for transport whereas NSW and Queensland get 30% each and WA 14%

Now I don't want you to think for one moment that the grossly disproportionate allotment of funding has anything whatsoever to do with the fact that the main funding is going to states crucial to the Coalition's electoral fortunes because of the many marginal electorates in those states

So Victoria's transport problems will continue to increase

SOCIAL MEDIA

One of the latest additions to the English language is post truth which is defined as

"Relating to or denoting circumstances in which objective facts are less influential in shaping public opinion than appeals to emotion and personal belief"

In other words, long held beliefs - even if they are wrong - and emotions, rather than facts, will decide what people think, and therefore shape public opinion

It's therefore not surprising that post truth thinking is thought to have played a significant role in the election of Donald Trump as President of the USA, as he largely shapes public opinion by appealing to emotion and personal belief rather than using facts, and refers to facts he doesn't like as 'fake news'

And equally sad is that a majority of Australians feel that social media is a more reliable way of

obtaining facts rather than via print media. But this means that people are accepting the many falsehoods widely shared on line as facts

Facebook founder Mark Zuckerberg recognises this, outlining a 7 point plan to combat false news sites that played a role in the recent U.S. election, but he is not optimistic as he states facebook employees were not trying to be arbiters of truth, but instead would rely on users to moderate content on site and share what they want whenever possible.

HOUSING AFFORDABILITY

Sydney and Melbourne are ranked among the least affordable cities in the world to buy a house - particularly for first time buyers. House prices in Sydney and Melbourne have increased by 19 and 16% respectively in the past year.

Someone buying a home, or any number of homes, as an investment with very significant tax advantage, should not get a monetary benefit that someone buying a home to live in does not

The obvious solution is:-

- abolish negative gearing
- reduce the capital gains discount to 25% for investor purchases
- limit purchases to Australian citizens and
- tax vacant homes

The Coalition government won't do this. It's interesting that these measures would

- primarily affect the government's high income constituency
- and many politicians have negatively geared properties

Federal politicians own 561 properties - worth about 1/2 billion dollars

- Coalition members own 375, Labor 193
- one member owns 33, others 18, 10, 9, 8, 2x7, 3x6
- except for one Labor member, all Coalition owned
- many if not most negatively geared

The Coalition's policy is for the states to make more land available - neatly handing the problem to the states but if the supply of land is boosted

- negative gearers will monopolise the purchases
- push prices higher because of their tax advantages

EDUCATION

Early in it's period of office the Coalition government stated

1. It was withdrawing \$27 billion in federal funding for education in the next decade

2. It was not going to fund the last 2 years of the Gonski 6 year funding

This may not seem much but 58% of that funding was to be paid in the last 2 years, so they are paying less than half of what they should contribute to Gonski

And this is on a background of between 2009 and 2015 combined state and federal funding rose by

- 38.7% for independent schools
- 35.6% for catholic schools
- 17.6% for state schools

So that funding still ne do to be much more equitable.

Other problems are:-

-many state school parents contribute a significant amount of money virtually to keep their school operating - \$77,000 for a baby born in 2017

There is a severe and increasing shortage of state schools in Victoria. Many buildings and grounds in state schools are in a significant state of disrepair.

Teachers need to be paid much more and this would attract better qualified entrants. The average ATAR of students starting teaching courses in Victoria last year was 57.35. A minimum ATAR of 65 will be required in 2018 and 70 in 2019.

The minimum ATAR for Monash education students is 85

Victorian teachers are overworked with average hours of 53 per week at primary and secondary level.

We are in a rather unfortunate situation when 1/4 of our students leave school without an adequate education.

HEALTH

In Victoria the number of hospital beds per person has reached a record low - a massive 56% decline since the early 1990's - due to underfunding and under planning

The bed shortage continues to cause delays in admission to hospital from the emergency department of seriously ill patients with delays of 4, 12 or 24 hours or sometimes longer.

Ambulances may not be able to admit their patients to the emergency department, placing seriously ill patients at risk, and making the ambulance unable to respond to emergency calls

The Australian College of Emergency Medicine estimated several years ago this caused 1500 deaths per year, and research at Canberra Hospital 2 years ago found older patients who waited more than 4 hours to be transferred to a hospital bed were 51% more likely to die

Other problems I can just mention are:-

- Many public hospital emergency departments are seeing an increasing number of patients leading to severe overcrowding and lengthy waiting times

-last year in the RCH, patients in the emergency department sometimes waited 8 hours to be seen

- waiting times for a specialist outpatient appointment were up to 451 or 468 days with a further wait for surgery

We are about 1500 beds short in Victoria and the deficit is increasing

All this with the government withdrawing \$57 billion from the health budget in the next decade

POLITICS AND POLITICIANS

Most large donations to political parties are made in the hope that the donor will receive some benefit in return. They are therefore a form of bribery and corruption and should be banned, but politicians cannot bring themselves to do this.

Similarly, many politicians cannot resist making inappropriate claims for travel and accommodation, sometimes including:-

- their wife and children and even their dogs. Such claims have resulted in resignation so Speakers of Federal and State parliaments

Voters mostly don't like

- the aggressive way in which many politicians behave in Parliament
- how politicians repeatedly refuse to answer a direct question
- or how they divert a question on their party's questionable policies to talk about the opposition's alleged failings
- or their lack of vision for the future of Australia
- or their motivation is often mainly directed to what benefits them or their political party

And a study in December 2016 showed of Australians

- 52% believe politicians don't know what ordinary people think
- 26% believe people in government can be trusted
- 12% believe government is for all people
- 56% believe government is run for big interests
 - 67% think government will have made no effect on the economy in a year's time - this is the highest on record

40% said they always voted for the same party - down from 63% in 1987 - very pleasing as it shows more people are thinking about elections

Dislike for major political parties is at an all time high

From 0 - 10. Labor 4.9, Liberal party 4.8, National party 4.4

It appears that politicians and political parties are - to put it mildly- on the nose with the Australian public

THE GOVERNMENT

We have a government who on assuming office in 2013 triumphantly said "The adults are in charge now. By gross mismanagement The Labor Party has created a huge deficit which we as responsible financial managers will obliterate within 12 months

In fact after about 3 1/2 years in government The Coalition have increased the deficit by almost 2 1/2 times - and government debt has doubled to \$500 billion

While they were disparaging the Labor government's financial management the Coalition conveniently forgot that the Labor government brought Australia through the Global Financial Crisis as one of only 3 developed nations that didn't go into recession or lose their triple A credit rating.

At the election in 2016 they converted a health majority in the House of Representatives to a majority of 1 and rely on a majority of independent senators to pass Bills in the Senate

Their management of the economy has not produced startling results. Growth has been subdued and below trend and went into negative territory in the September quarter last year. Had this result been repeated in the December quarter Australia would have been in a technical recession, but this was fortunately not so.

Inflation has been at a low level and Interest rates are very low. Thus us worrying for the Reserve Bank as low mortgage rates push excessively high house prices even higher

Wages growth is at the lowest level it has been since records were first kept

This has also caused concern for the Reserve Bank because household debt grows at 6 to 7%

As a result, household debt relative to household income is at the highest level ever recorded of 189%

This is manageable with low interest rates, but many households will be in trouble if interest rates suddenly rise

And the Reserve Bank at its latest meeting warned that as many as 8 official rate hikes may be on the way to take the official cash rate from 1.5% to 3.5%

A recent survey found that of the 3.1 million households, 670,000 are experiencing mortgage stress

This is rising due to

- static incomes
- rising cost of living
- underemployment and job insecurity

As an indication of the attitudes and behaviour of the Coalition we'll look at the actions mainly of the Abbott government after the election in 2013

BROKEN PROMISES

'No cuts to education, no cuts to health'

Reality. \$80 billion in cuts to health and education over the next decade

'No cuts to the ABC or SBS'

Reality. \$43 million in cuts over 4 years

'No change to pensions'

Reality. The age for receiving the pension will gradually increase from 65 to 70

- age and disability pensions to be lower from 2017
- 236,000 lose part of their pensions
- 91,000 lose all of their pensions
- 171,000 will be better off

'From 2014-15 the overseas aid budget will grow each year in line with the CPI'

Reality. 7.6 billion dollar cut over the next 5 years, to take our overseas aid budget to its lowest level ever

'The Coalition will continue its current level of funding on 'Closing the Gap' activities'

Reality. Reduction of 500 million dollars in funding

'No cuts to Land Care'

Reality 484 million dollars cut

Newstart recipients aged 22 to 25 pushed back from the Newstart allowance of 13,600 dollars, to the Youth Allowance payment of 11,375 dollars per annum - a living in poverty level

They have to wait 5 weeks for payment instead of the present 1 week. Those under 30 signing on for the dole, have to wait 6 months before receiving payments

Cut to school children's bonus payment for low income parents

Low earners superannuation top up cancelled

Cuts to supplement for unemployed and single parents

\$52 million cut from legal aid services including indigenous legal aid

I presume you will have noted that most of the cuts are directed against the poorer members of the community

And to prove it, the poorest 20% of the community would have paid \$1.1 billion more into government coffers than the richest 20% of the community as a result of that budget highlighting

- the huge inequality in the government's blueprint for fiscal repair
- and how the Abbot government favoured the well off in the community against the less fortunate

I appear critical of the Federal Coalition because they are in power and making the decisions. If a Labor government was making the same decisions I would be equally critical of them

I hope I've shown the many factors that have led lower paid workers and others in Australia and elsewhere to feel neglected and disillusioned

So it's not surprising that these people will vote for someone or some party they hope will better look after their interests even though in reality they probably won't

And what will happen to Australia. I don't want to depress you any further, but the reality is rather bleak

The already inadequate essential services I've described will continue to be increasingly deprived because

- of excessive population increases without increasing essential services
- governments just won't raise more money to provide adequate essential services

This was graphically illustrated when the South Australian Premier said he would only vote for an increase in the GST if the money raised were to go to hospitals and education, but the then treasurer Joe Hockey said it should go to tax cuts i.e. keep the voters happy and increase your chance of reelection

Workers here and elsewhere will continue to be affected by

- reduced effective wages (the inflation level exceeds wages growth) - in the 3 months to December 2016 there was a 20% jump in company profits and a 0.5% drop in wages
- weakening of unions, and therefore workers' rights by
 - discouragement of collective bargaining
 - favouring individual contracts
- mounting public and private debt with household debt at an all time high. Workers using their savings for every day costs
- the share of Australian GDP going into workers' pockets is the lowest recorded since 1959
- and eliminating penalty rates with 700,000 workers significantly affected & 40% of young people relying on penalty rates to survive
- about 5 million Australians live pay cheque to pay cheque

People with no money in the bank are 23% Baby boomers, 32% Generation X and 24% Generation Y

An adverse event means borrowing by

- credit card - interest 18%
- pay day lending - interest up to 68%

In 2015, 650,000 households had used pay day lending in the previous 3 years

And the outlook for the employment prospects of the youth of today looks particularly bleak if, as predicted, in 1 to 2 decades 40% of jobs will be replaced by technology or robots

Australian millennials aged 17 to 35 are the most pessimistic in the world regarding their future

Only 8% believed they would be financially better off than their parents

Only 4% believed they would be happier than their parents

Only 28% expect improvement in the economic situation

A survey of 2600 University and TAFE students in April this year showed

70% of students rated their mental health as fair or poor

2/3rds reported high or very high psychological distress

80% had experienced anxiety or panic

1/3 had considered self harm or suicide

It would seem impossible for our politicians not to be aware of

- the high levels of unemployment, poverty and inequality in this apparently lucky country

- and in the severe and persisting deficiencies in the provision of essential services in Australia

We can only assume our politicians

- ignore them and pretend they don't exist

- are not prepared to raise the money and put effort into correcting them

- it wouldn't be too hard to raise the necessary revenue if politicians had the will, courage and integrity to do so

- and they will have to do it eventually

- and I'll tell you how I'd like to do it

These measures would not be introduced all at once and not necessarily in this order

1. Abolish the \$64.5 billion cut in company tax

2. Abolish negative gearing

3. Abolish the 50% capital gains discount for investor homes

4. Stop paying the polluters to pollute, and introduce a carbon tax

5. Close Manus Island and Nauru refugee centres and bring all refugees here

6. Prevent very wealthy individuals from avoiding paying tax by limiting their deductions or taxing their incomes

7. Ditto for multinationals minimising tax on their Australian earnings

8. Abolish family trusts

9. Reduce the Private Health Insurance Rebate

10. Abolish diesel fuel rebate for the mining companies

11. Reduce government aid to private schools by 50% and then abolish it if government aid to state schools is still inadequate

12. We pay \$1.8 billion too much for generic drugs
13. Reduce the superannuation tax concessions to the upper echelon of earners
14. Introduce a stronger means test for high income people's claims on the Paid Parental Leave Scheme and Family Tax Benefits A
15. Increase income tax by 5%
16. Defence spending is excessive and increasing disproportionately as it is linked to 2% of GDP
17. Reduce the number of very expensive submarines being built
18. Many aspects of state and federal government waste could be corrected
19. Abolish state and federal upper houses, as Queensland did in 1923 to its benefit
20. Reintroduce death duties